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Business Today

July 25, 2021 ₹100

OC

Sanjiv Puri ,
Chairman & MD, ITC

PAYOFF TIME FOR ITC

WHY SANJIV PURI IS CONFIDENT THAT HIS BIG PUSH INTO NEW BUSINESSES WILL END THE FLAT RUN THE CIGARETTE AND FMCG MAJOR HAS HAD IN THE STOCK MARKET

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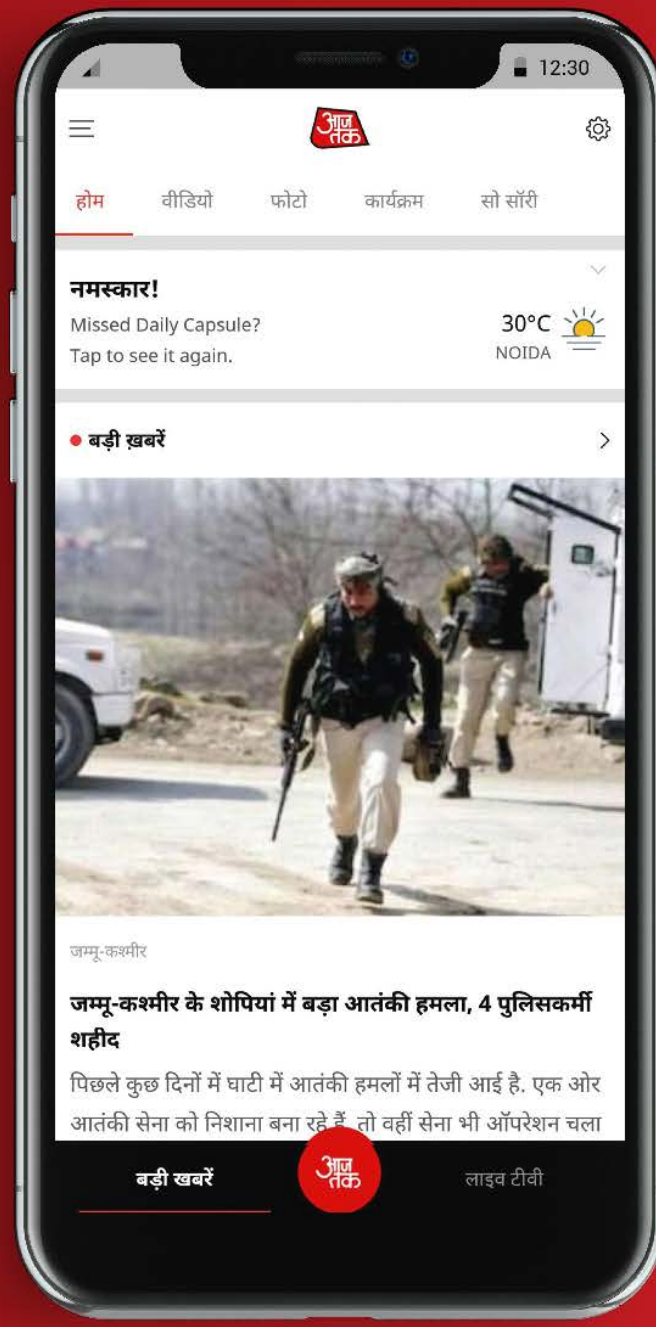

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From the Editor

Sanjiv Puri's Classic Tussle

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Iconic firms can often be at odds with the stock markets. Particularly, when they are engaged in the classic tussle between delivering quarterly profits and ploughing back for the long term. Amazon's Jeff Bezos thumbed down analysts for a decade before things turned around at the e-tailer. But CEOs — especially those running publicly listed firms — can rarely stand up to such pressure exerted by the markets. They either give in to the need to deliver short-term results, or delist their firms, just to avoid the prying eyes of analysts and investors. Michael Dell of Dell Inc. did the latter. ITC Chairman Sanjiv Puri is in the midst of one of those tussles with the restless stock market. Four years into the job, his new businesses haven't matured enough to start firing up topline and bottomline, or delight the shareholders. But Puri is holding on. These are testing times for his managerial perseverance, resilience and his conviction in ITC's new business strategy. He will define whether ITC fulfils the dream of its CEO of two decades Y.C. Deveshwar to make the FMCG major stand on its feet, and depend less on cigarettes — ITC's umbilical business. *Ajita Shashidhar* captures the full-blown tug-of-war between the management of India's largest FMCG firm and the stock markets. Who will have the last laugh? Read her account.

If markets don't see eye to eye with ITC, it remains to be seen whether they will agree with the valuation of India's Unicorns when some of them test the markets later this fiscal. At least 15 new Unicorns have emerged in India in just the first half of 2021. In April alone, six companies such as CRED, ShareChat, PharmEasy and Meesho — among others — turned a valuation of $1 billion or more. PE and VC investors pumped in more than $1.5 billion in these six firms. The rush of funds is a result of enormous liquidity in global markets. PE firms have raised $188 billion in Q1 of 2021 against $163 billion in Q1 of 2020 — a jump of more than 15 per cent since last year. Industry believes global liquidity will ensure the party continues — at least for some more time. The real question, says *Rukmini Rao*, is how will these firms be valued when global money supply slows down. Importantly, will the stock markets be as enthusiastic about these firms as PEs and VCs have been?

Next, the National Asset Reconstruction Company — considered the panacea for Indian banking's biggest headache — the non-performing assets — is still being set up. It is yet to be registered and its ARC licence is pending. Banks though have begun shortlisting the bad assets they intend to sell to the NARC. It is believed it can take care of nearly ₹2 lakh crore worth of bad assets. *Anand Adhikari* provides cues about what models to follow, and what not — right from the South Korean experience to the Malaysian and the Chinese. The latter not so successful.

As I move on to take up an exciting new assignment, my gratitude to you all for patronising *Business Today* in all its avatars — print, digital, videos, graphics, podcasts. It's been an absolute honour and a privilege to edit India's No.1 business periodical.

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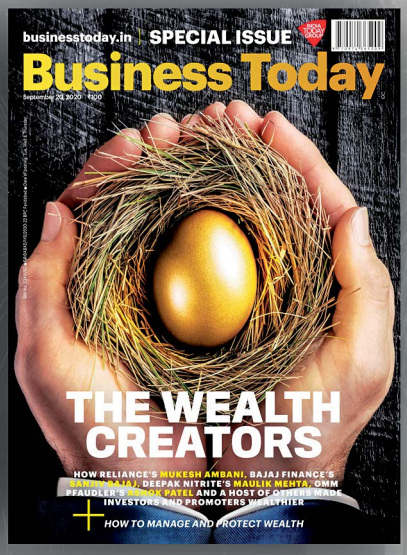
INDIA'S MOST VALUABLE COMPANIES
The fight for the top 20 ranks gets tight while a host of new entrants barge their way into the 500 list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HOW RELIANCE'S MUKESH AMBANI, BAJAJ FINANCE'S SANJIV BAJAJ, DEEPAK NITRITE'S MAULIK MEHTA, OMM PFAUDLER'S ROOMI PATEL AND A HOST OF OTHERS MADE INVESTORS AND PROMOTERS WEALTHIER
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IRS 2019 Q4 (TR)

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Photograph by
YASIR IQBAL

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Retail inflation for agricultural labourers (CPI-AL) rose from 2.66 per cent in April to 2.94 per cent in May

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PHOTOGRAPH BY YASIR IQBAL

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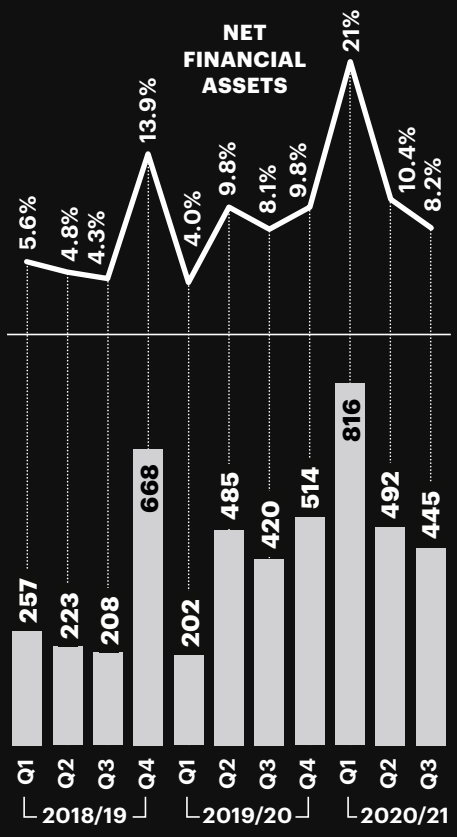
The Point

HOUSEHOLD SAVINGS DECLINE

HOUSEHOLD FINANCIAL SAVINGS FELL FOR THE SECOND SUCCESSIVE QUARTER TO 8.2 PER CENT OF GDP IN Q3 FY21, ACCORDING TO PRELIMINARY ESTIMATES RELEASED BY THE RBI

By **SHIVANI SHARMA** | Graphics by **TANMOY CHAKRABORTY**

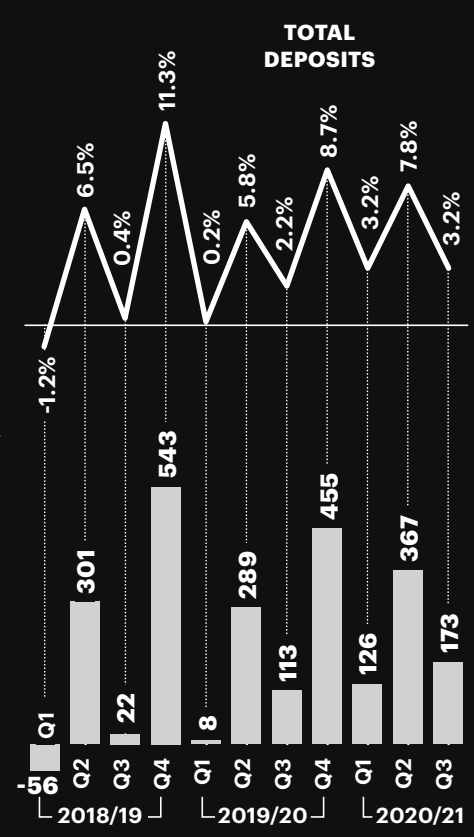
SAVINGS MODERATED FROM A PEAK OF 21% IN Q1 ...



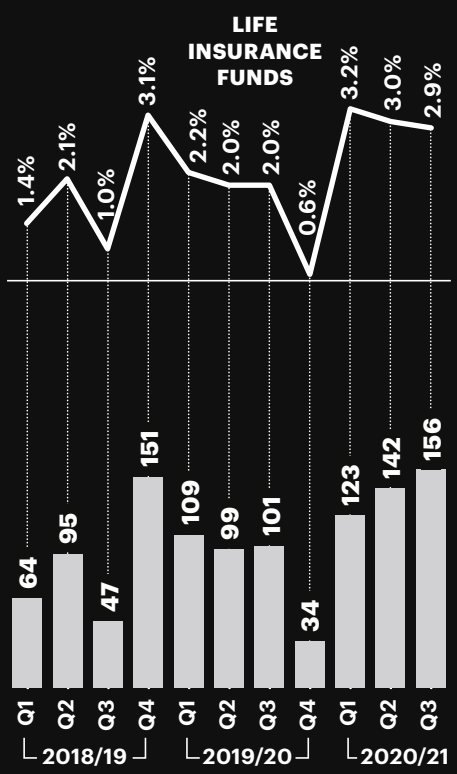
As per cent of GDP

In ₹ 000 crore

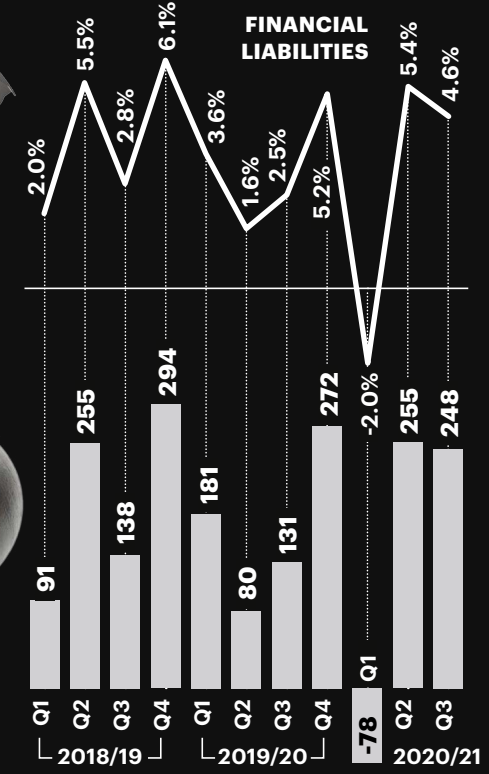
... AND RATIO OF BANK DEPOSITS TO GDP FELL TO 3.2% ...



... WHILE LIFE INSURANCE FUNDS OF HOUSEHOLDS ROSE TO ₹1.5 LAKH CR ...



... AND FLOW IN HOUSEHOLD FINANCIAL LIABILITIES DROPPED MARGINALLY



MSP PUSH FOR COARSE CEREALS, OILSEEDS, PULSES

➘ The Cabinet Committee on Economic Affairs (CCEA) has announced minimum support price (MSP) for kharif crops for 2021-22. The steepest increase has been in pulses, coarse cereals and oilseeds. Paddy has seen a moderate 3.9 per cent rise. This is aimed at encouraging crop diversification away from paddy and wheat

➘ The highest absolute increase has been in sesamum (til) at ₹452 per quintal. This was followed by tur (arhar) and urad (black gram) at ₹300 per quintal each

➘ MSP of ragi has more than tripled between 2011 and 2021. MSP of other millets such as jowar and bajra has also risen significantly

	MSP (₹/quintal)	Absolute increase (₹/quintal)	Y-o-Y % change
Sesamum	7,307	452	6.6
Groundnut	5,550	275	5.2
Arhar	6,300	300	5
Black gram	6,300	300	5
Bajra	2,250	100	4.7
Jowar (Hybrid)	2,738	118	4.5
Jowar (Maldandi)	2,758	118	4.5
Paddy (Common)	1,940	72	3.9
Paddy (Grade A)	1,960	72	3.8
Cotton (MS)	5,726	211	3.8
Nigerseed	6,930	235	3.5
Cotton (LS)	6,025	200	3.4
Ragi	3,377	82	2.5
Sunflower seed	6,015	130	2.2
Soyabean	3,950	70	1.8
Maize	1,870	20	1.1
Green gram	7,275	79	1.1

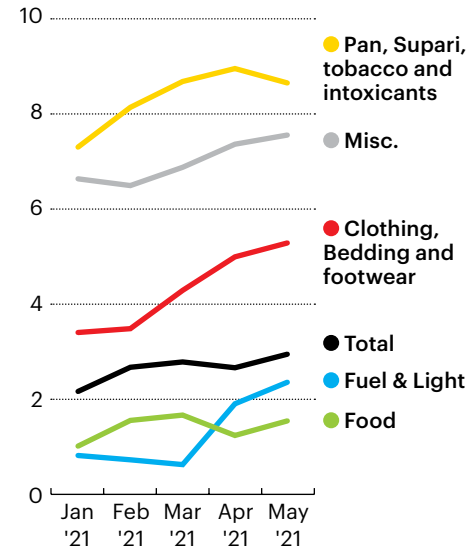
Source:Ministry of Agriculture

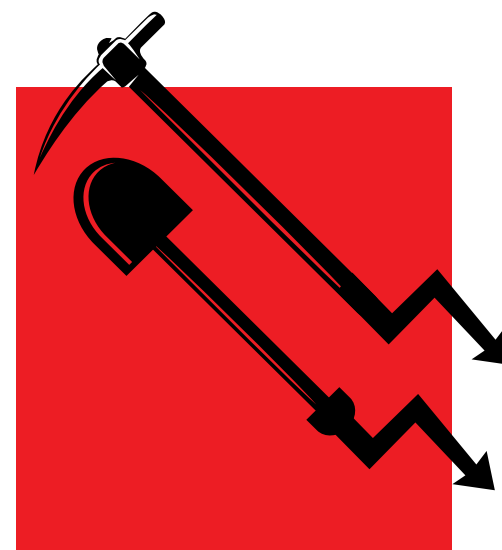
INFLATION FOR RURAL LABOURERS RISES 2.9%

➘ Retail inflation for agricultural labourers (CPI-AL) rose from 2.66 per cent in April to 2.94 per cent in May. However, this was much less than CPI, which increased to 6.30 per cent, from 4.23 per cent in April

➘ Prices of the food group, which accounts for 69.15 per cent consumption basket of agricultural labourers, rose 1.54 per cent compared to 1.24 per cent in April

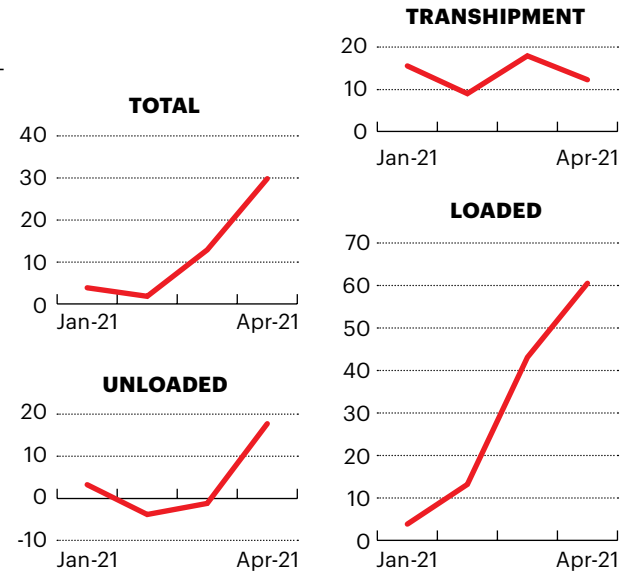
CPI FOR AGRICULTURAL LABOURERS
(Y-o-Y Change in %)





Cargo Traffic Up 29.5% in April

CARGO TRAFFIC AT MAJOR PORTS
(Y-o-Y % Change)



↘ Cargo traffic at India's major ports grew 29.5 per cent year-on-year (Y-o-Y) in April 2021. One reason is the low base of last year. The ports handled 61,528 thousand tonnes cargo during the month as compared to 47,506 thousand tonnes in April 2020

↘ Major commodities whose traffic grew are petroleum, oil & lubricants (6.5 per cent), coal (10.5 per cent) and iron ore (91.7 per cent)

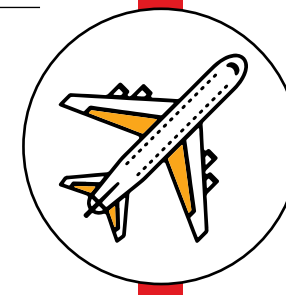
Source: Indian Port Association

Fuel Demand Falls 1.5% YoY

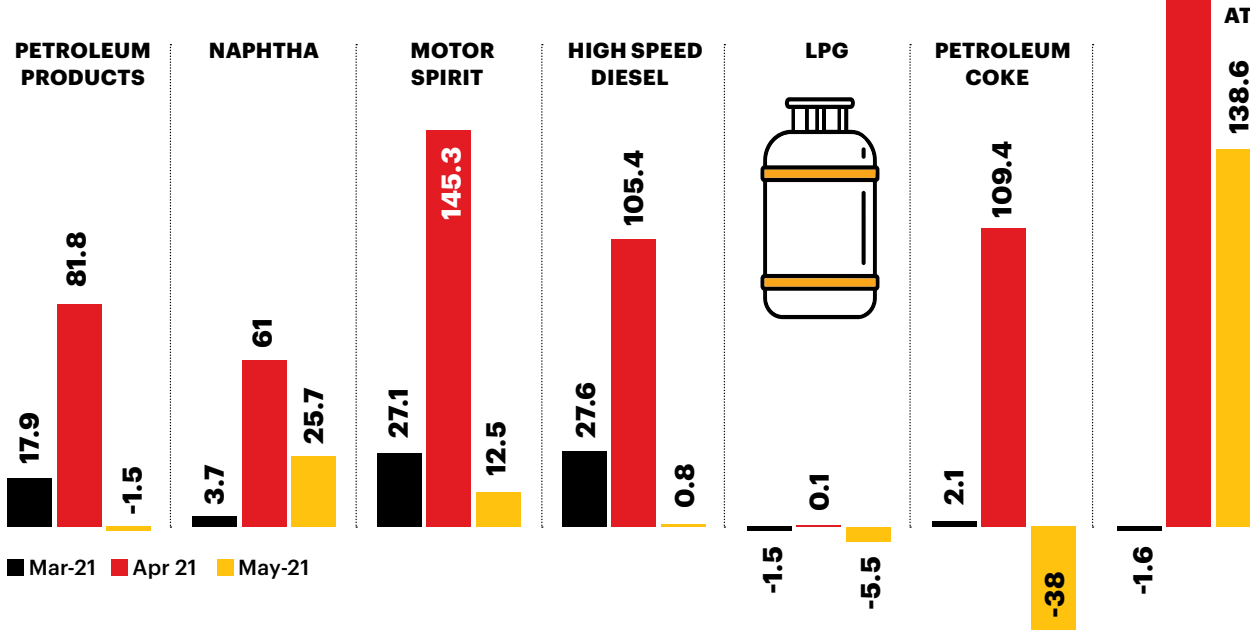
↘ Demand for petroleum fuels fell 1.5 per cent year-on-year in May after most state governments imposed curbs on mobility.

↘ Month-on-month, consumption dipped from 18.8 million tonnes in March 2021 to 17 million tonnes in April 2021 to 15.1 million tonnes in May

↘ ATF demand rose 138.6 per cent YoY due to low base (there were few flights due to lockdown last year)



CONSUMPTION (Y-o-Y % Change)



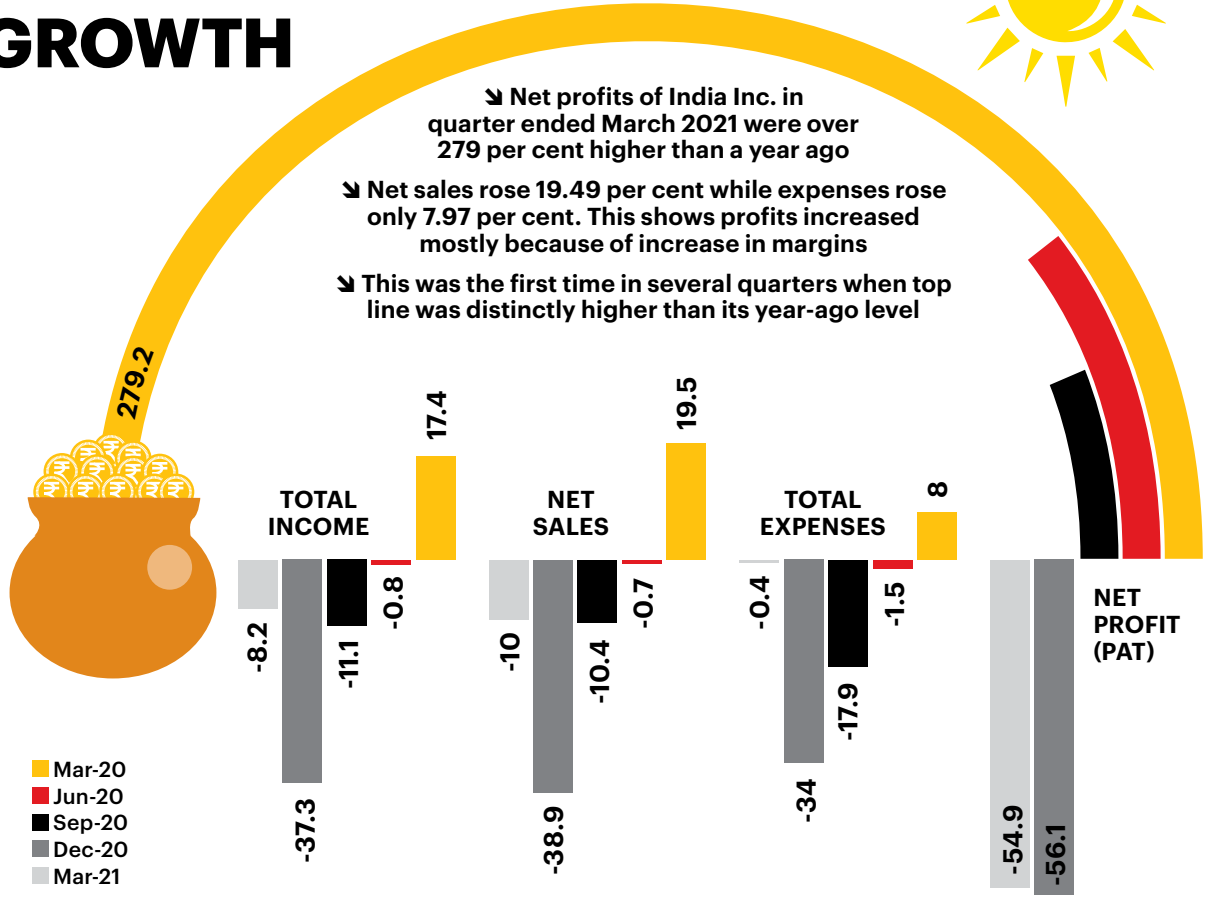
Listed Firms Strengthen Balance Sheet...

- Reserves and surplus of listed companies rose 15 per cent between March 2020 and March 2021 as they conserved cash to steer through the uncertainty due to Covid-19 outbreak. This is the highest jump in the last one decade
- Another reason for this sharp rise is the low base of March 2020; the quarter had seen a tepid 0.2 per cent growth in reserves and surplus

Source: BSE

...AS MARGINS LEAD PROFIT GROWTH

- Net profits of India Inc. in quarter ended March 2021 were over 279 per cent higher than a year ago
- Net sales rose 19.49 per cent while expenses rose only 7.97 per cent. This shows profits increased mostly because of increase in margins
- This was the first time in several quarters when top line was distinctly higher than its year-ago level

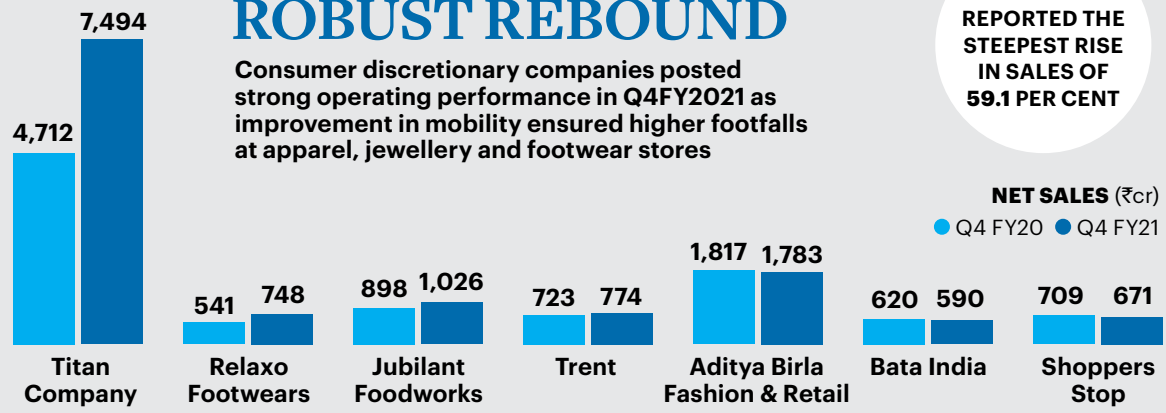


Y-o-Y % Change; Source: Ace Equity

RETAIL FIRMS POST ROBUST REBOUND

Consumer discretionary companies posted strong operating performance in Q4FY2021 as improvement in mobility ensured higher footfalls at apparel, jewellery and footwear stores

TITAN REPORTED THE STEEPEST RISE IN SALES OF 59.1 PER CENT

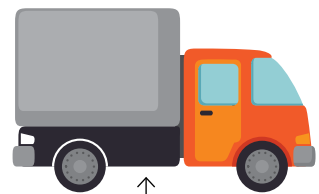


Source: Company Reports

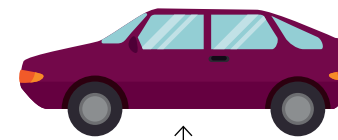
AUTO SALES RISE ON LOW BASE

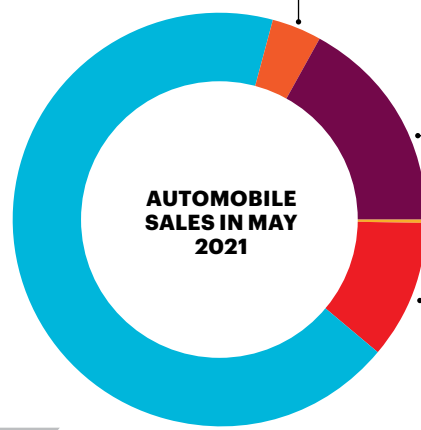
- Passenger vehicle and commercial vehicle sales rose nearly 2.5 times in May due to low base of last year (May 2020 was the second lockdown month)
- However, compared to April, sales have fallen for all vehicle segments as a result of partial lockdowns in large parts of the country
- Three-wheelers sales fell 48.7 per cent. Tractors fell 8 per cent due to high base of last year (the segment had reported robust numbers in May 2020)

COMMERCIAL VEHICLES
Units **20,869**
M-o-M **-46.9%**
Y-o-Y **151.3%**



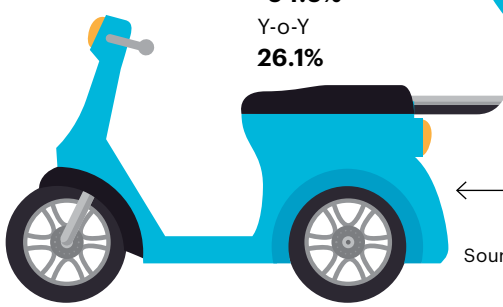
PASSENGER VEHICLES
Units **88,045**
M-o-M **-66.3%**
Y-o-Y **162.7%**

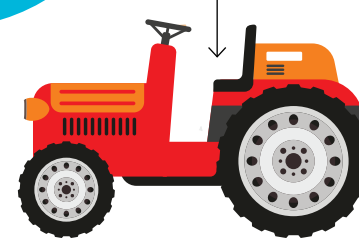




THREE-WHEELERS
Units **55,609**
M-o-M **-12.3%**
Y-o-Y **-48.7%**

TWO-WHEELERS
Units **3,52,717**
M-o-M **-64.6%**
Y-o-Y **26.1%**





TRACTORS
Units **55,609**
M-o-M **-12.3%**
Y-o-Y **-8%**

Source: SIAM

TURESPAÑA

Mosque-Cathedral, Cordoba Bridge

TOP 10 REASONS FOR SPAIN AS MICE DESTINATION

Spain isn't just the second most popular tourist destination in the world; it is also a leader in hosting meetings, incentives and events. Spain is ranked fourth in the world for hosting the most international meetings and is the only country with two cities in the Top 5. These are some of the reasons for choosing Spain as a MICE destination:

A leading tourism destination

Spain is equipped for large-scale events, with all the attributes of being the world's second favourite tourism brand. With over 16,000 hotels and a network of nearly 100 Paradores: unique accommodation in castles, monasteries and palaces, it makes for a one-of-a-kind venue to host business events.

Fantastic transport infrastructure

Spain has over 30 international airports, seven major cruise ports, around 3,000 kilometres of high-speed railway, Europe's largest road and motorway network, and excellent public transport systems in all its large cities.

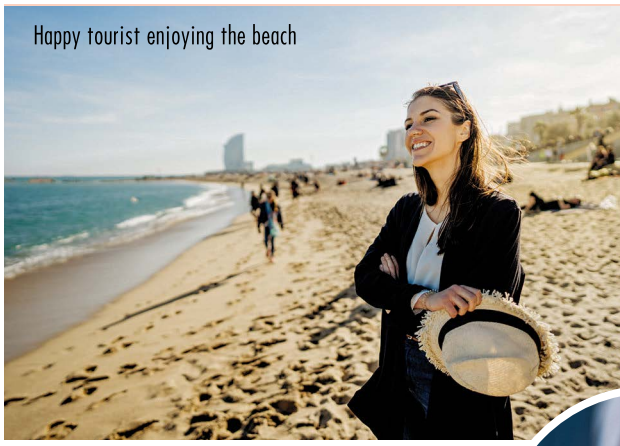
Art is part of our identity

Art can be seen in the monumental cathedrals of Burgos, Seville, León as well as in the stunning Alhambra palace, the Art Nouveau architecture of Barcelona, the picturesque centre of Seville, the futuristic buildings of Valencia and Bilbao and in museums like the Prado, considered to be the world's greatest art gallery. Madrid's Art Walk, the galleries of Málaga...

AVE (High-speed) Train, RENFE Spain

Parador de Alcala de Henares

TURESPAÑA


Happy tourist enjoying the beach

Cala Macarella, Menorca

there are over 1,500 museums to choose from.

World Heritage culture

Spain is the country with the third largest number of UNESCO World Heritage sites. It boasts 15 World Heritage Cities with historic city centres, monumental ensembles and famous fiestas such as Las Fallas in Valencia or the Courtyards Festival of Cordoba, and traditions like flamenco.

Businessman holding business card, Spain Convention Bureau

Thousands of options for a unique programme

From themed, guided or dramatised tours of museums, heritage sites or cities to hands-on experiences in flamenco studios, cooking classes, boat excursions, or the chance to see Real Madrid or FC Barcelona play football, there are endless options for creating memorable moments here.

Extensive MICE professional network

All destinations in Spain have departments specialising in the meetings and events segment, to be found in the Spain Convention Bureau network, and the professionals in the different elements making up the MICE value chain form part of the associations of the MICE Forum. For further details, log on to:

Your Safety is of Paramount Importance, refer to Travel Safe Spain: https://travelsafe.spain.info/en/

A place in the sun

Around 3,000 hours of sun a year makes Spain a country full of light. The climate is pleasant all year-long, and this is a country to enjoy life outdoors, especially in spring and autumn, when the temperature is mild all day. In fact in the Canary Islands, every day is like spring, with average annual temperatures around 23°C.

A healthy cuisine, full of flavour

Spain is a champion of the Mediterranean diet, recognised by UNESCO as part of the world's Intangible Cultural Heritage, and its cuisine is famous for the ever-popular tapas. A great way to enjoy them is in the traditional markets restored and remodelled as gourmet centres in many cities. Spain has a total of over 230 Michelin stars and seven restaurants featured in the prestigious 50 Best list. Some of its famous chefs include the Roca brothers, Aduriz, Ruscalleda and Arzak, among others.

A unique lifestyle

Spaniards are famous for their cheerful, relaxed lifestyle. That might be why Spain has one of the highest life expectancy rates in the world (83 years) and is one of the 20 countries with the best quality of life, according to the Organisation for Economic Co-operation and Development.

A wide range of unique locations for meetings

Castles, wineries, former monasteries, museums and theatres are a few of the most unusual options for holding an event to remember in Spain. Moreover, there are over 40 Conference Centres and many meeting rooms, auditoriums and multi-purpose facilities all over Spain.

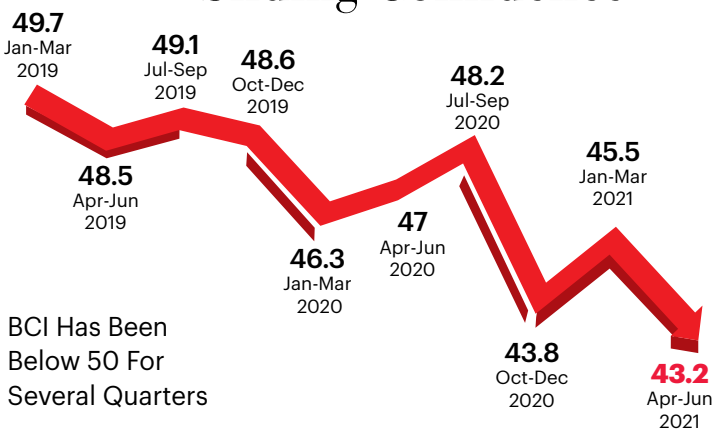
Spanish Flamenco

Economy

AFTER A MINOR JUMP IN THE PREVIOUS QUARTER, BUSINESS CONFIDENCE STAYS ON A DOWNWARD SLOPE AS THE SECOND WAVE OF THE PANDEMIC HITS BUSINESSES, FINDS THE LATEST *BUSINESS TODAY'S* BUSINESS CONFIDENCE INDEX

BY MANU KAUSHIK
ILLUSTRATION BY RAJ VERMA &
GRAPHICS BY TANMOY CHAKRABORTY

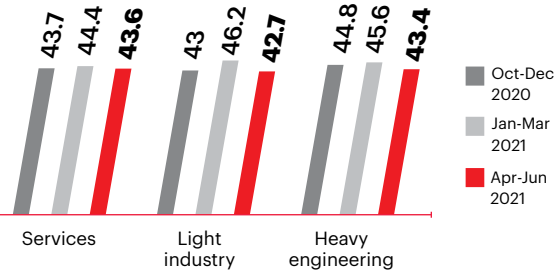
Sliding Confidence



BCI Has Been Below 50 For Several Quarters

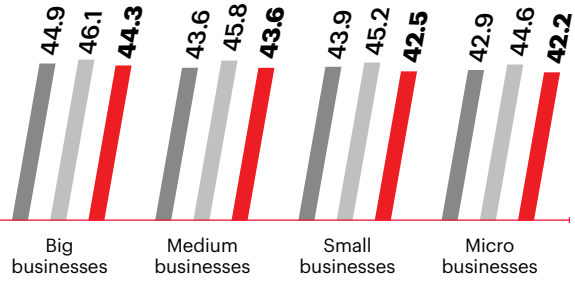
BCI by Sector

Light Industry Most Downbeat



BCI by Size

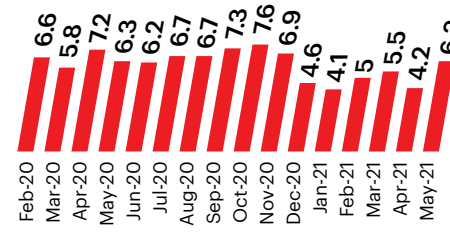
Micro Businesses Are Worst Hit



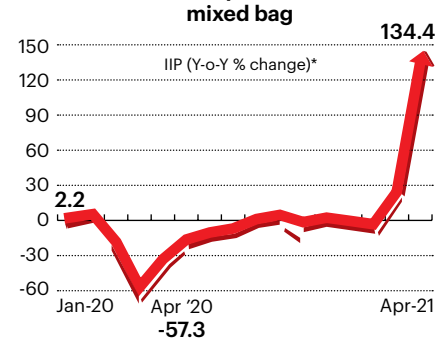
Macro Details

Inflation rises

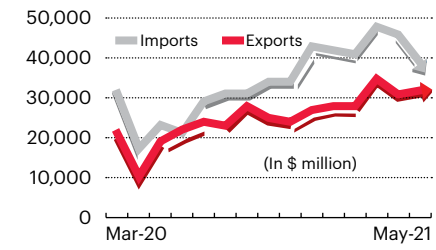
CPI Inflation (Y-o-Y %)



Industrial production a mixed bag



But exports up month-on-month



* NSO has stated that it would not be appropriate to compare the IIP of April and May 2020 with indices of earlier months. The growth rates in the tabulation are calculated by CMIE from the index numbers.

Covid-19 has hit the country's economy hard. According to provisional data released by the National Statistical Office, India's gross domestic product (GDP) contracted 7.3 per cent in FY21, the biggest dip since 1947. The second wave of the pandemic has affected all segments of the economy. As a result, corporate sentiment took a beating in the June quarter. On a scale of 100, *Business Today*'s Business Confidence Index (BCI) fell to 43.2 in the June quarter, against 45.5 in the previous quarter and 43.8 in the quarter before that. Market research agency C fore quizzed 500 CEOs and chief financial officers across 12 cities for the survey.

Economists say the dip is on expected lines. "This (survey) pertains to the quarter in which the second Covid wave impacted two months significantly. Many sectors of the economy are almost at standstill as far as demand is concerned. The confidence will remain low. It will show tangible recovery from the third quarter," says D.K. Srivastava, Chief Policy Advisor, EY.

The latest survey shows deterioration on all five parameters — overall economic conditions, financial situation, demand conditions, profit margins and hiring conditions. Take financial situation. The respondents have given a rating of 4.1 (on a scale of 1 to 10), compared with 5.1 in the previous survey. Demand conditions have been rated 4, against 5.2 in the previous survey.

Around the time the survey was commissioned, which was in the second last week of June, it seemed the government was aware of the dire situation

of India Inc. On June 28, Finance Minister Nirmala Sitharaman announced a package worth ₹6.28 lakh crore for sectors such as healthcare, infrastructure, agriculture, exports and tourism. As many as 88 per cent corporate leaders who responded to the survey had wanted the government to come out with a stimulus package right away.

The survey also shows that nearly 32 per cent respondents expect the government to go for direct cash transfers, while another 26 per cent believe that boosting public expenditure can revive economic growth. Just 18 per cent think a stimulus for the private sector can bring the economy back on track.

Since the beginning of the pandemic, countries such as the US and the UK have been sending out cheques to their citizens. But the situation in India is different.

"India already has a public finance problem. It cannot afford to pay money to everybody," says U.R. Bhat, Director at Dalton Capital Advisors, adding, there is a need to address some parts of the economy. "About a third of the population can take care of itself as either they are employed in the formal sector or have government jobs. The rest, who are in the agriculture sector or run small businesses, need help. The government is feeding nearly 80 crore people for the next five months," he says, adding, "small companies and unorganised vendors have been unable to deal with the crisis. Data also shows that listed companies are gaining market share at the cost of small businesses. These people have benefitted through the government scheme where banks lend with a guarantee from the government. Given the constraints of the economy, this is a more scientific way of dealing with the issue rather than sending out cheques."

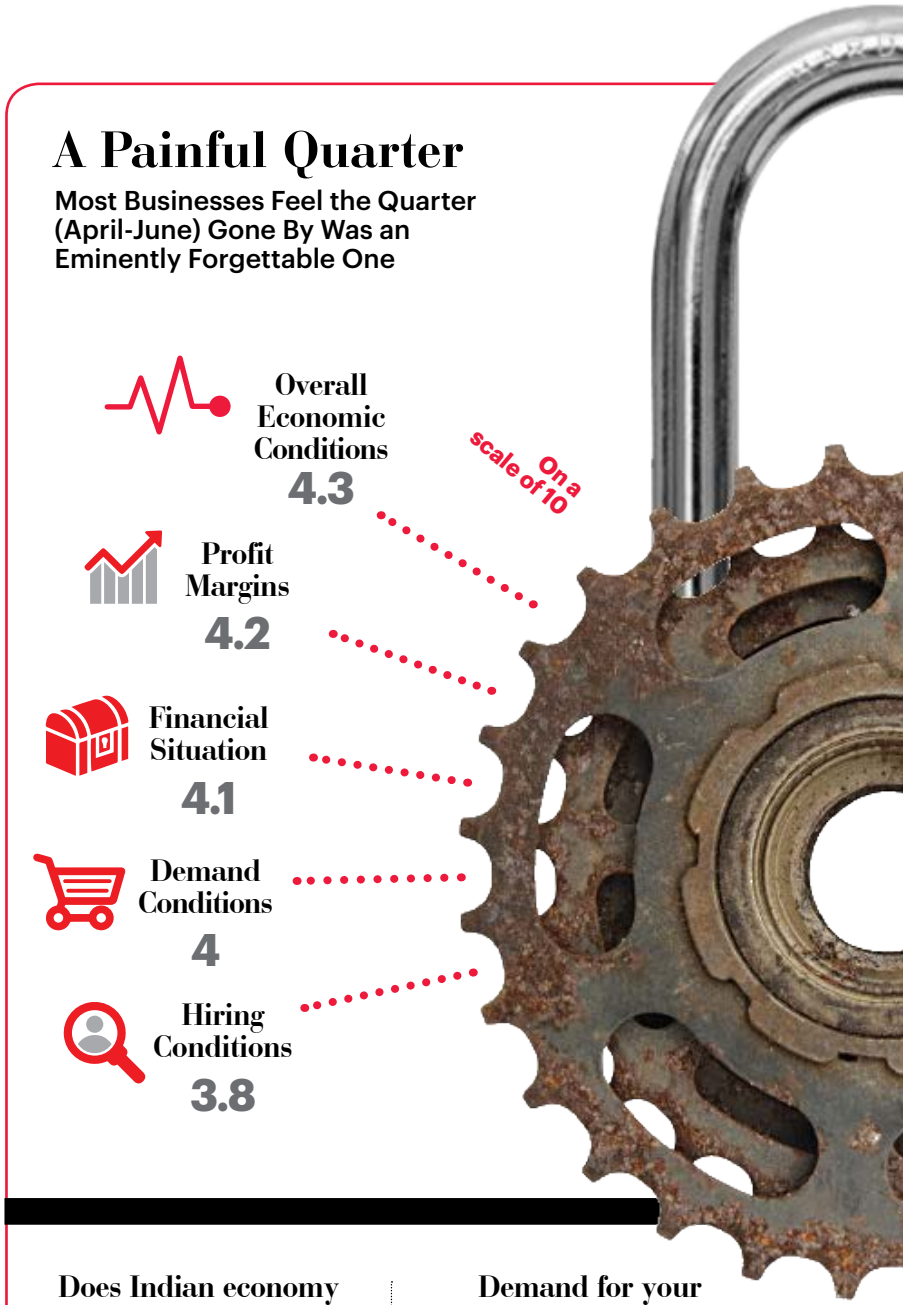
Unlike the June quarter, the respondents were hopeful about the September quarter. They gave better ratings than in the previous survey on all five parameters — economic prospects of the business, overall economic situation, demand conditions, hiring and profits. Their rating for the overall economic situation in the next quarter was

A Painful Quarter

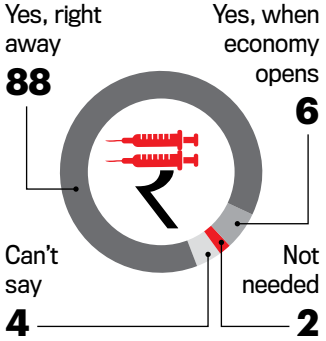
Most Businesses Feel the Quarter (April-June) Gone By Was an Eminently Forgettable One

On a scale of 10

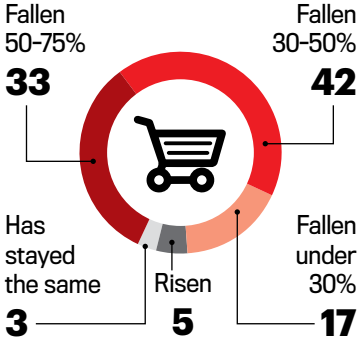
- **Overall Economic Conditions** 4.3
- **Profit Margins** 4.2
- **Financial Situation** 4.1
- **Demand Conditions** 4
- **Hiring Conditions** 3.8

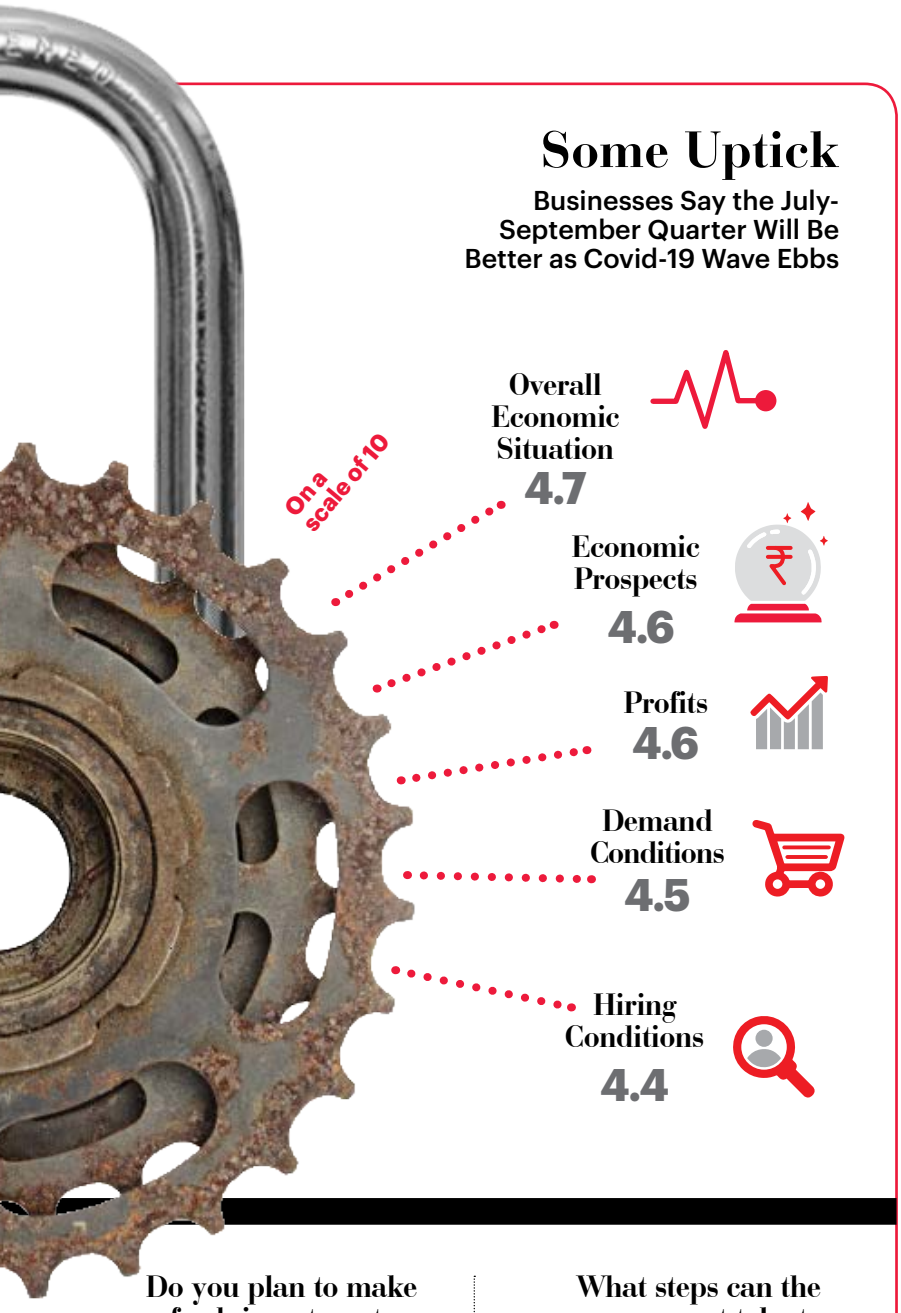


Does Indian economy need another stimulus to revive economic growth?



Demand for your products this year has…





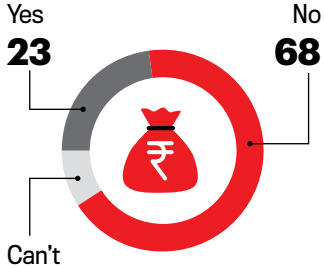
Some Uptick

Businesses Say the July-September Quarter Will Be Better as Covid-19 Wave Ebbs

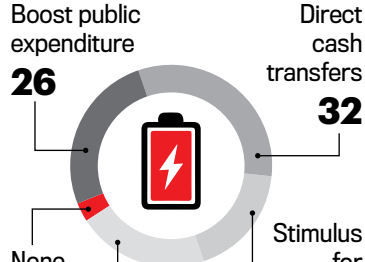
On a scale of 10

- Overall Economic Situation: 4.7
- Economic Prospects: 4.6
- Profits: 4.6
- Demand Conditions: 4.5
- Hiring Conditions: 4.4

Do you plan to make fresh investments in FY22?



What steps can the government take to revive the economy?



(All figures are in %)

the highest at 4.7.

According to the survey, 75 per cent respondents said demand for their products and services fell 30-75 per cent in the last quarter. Economists say this demand slump is an outcome of substantial increase in savings as people prepare for the worst due to Covid-19 and the resulting economic slowdown. "Demand has been drastically cut. There would be a corresponding increase in savings. As a result, businesses have suffered because they are sitting on huge inventories. Demand pick-up will take more time. In terms of direct and indirect measures, the impact of recently-announced stimulus would be positive but limited. It is more important for the government to spend out of the budgeted expenditure in the earlier part of the fiscal year. At least the government should spend on its own. That should give some push to demand," says EY's Srivastava.

The survey also shows that 68 per cent of respondents don't plan to make fresh investments in FY22. This has been the trend for several quarters now. Even though Reserve Bank of India data points out that aggregate capacity utilisation rose from 63.3 per cent in Q2 FY21 to 66.6 per cent in Q3 FY21, these levels are not substantial enough for businesses to start fresh investments at the moment.

As a supplement to the survey, we do an assessment of other economic indicators, including export-import, index of industrial production (IIP) and consumer price inflation (CPI). In April, IIP surged 134.44 per cent on an annual basis due to low base of the previous year. Retail inflation (CPI) rose to 6.3 per cent in May after staying below 6 per cent for five months before that.

While lockdown restrictions have eased over the past few weeks, the fear of a third Covid-19 wave is still right on top of the mind of consumers and businesses. The economic recovery over the next few quarters will depend on the speed of vaccination and how it can give confidence to businesses and people to spend. BT

@manukaushik

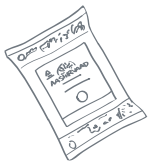
PAYOFF TIME FOR ITC

INDIA'S LARGEST FMCG FIRM'S CIGARETTE AND HOTEL BUSINESSES CONTINUE TO WEIGH ON VALUATIONS, MAKING INVESTORS RESTLESS. CAN A DEMERGER HELP IT ATTRACT INVESTOR ATTENTION?

BY AJITA SHASHIDHAR

PHOTOGRAPH BY YASIR IQBAL

Sanjiv Puri ,
Chairman and MD, ITC

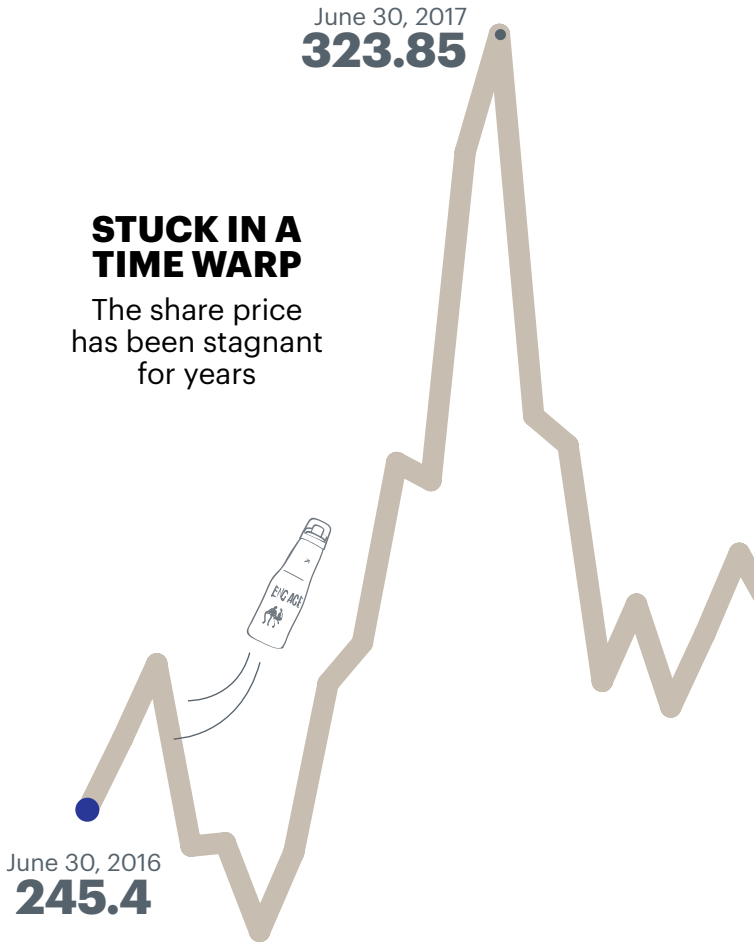


When Sanjiv Puri took over as Chairman and MD of ITC from Y.C. Deveshwar, his mandate was clear — carry forward the vision of transforming the cigarette company into a diversified consumer-centric conglomerate. ITC's dependence on cigarettes had begun to dent its stock market performance even during Deveshwar's tenure. In his 21-year stint as Chairman and CEO, ITC entered many consumer categories, including staples, snacks, biscuits and personal care. By the time he hung up his boots, the FMCG business was a sizeable ₹10,500 crore.

Under Puri, the FMCG business is now almost ₹15,000 crore. FY21 has been one of the best years for the non-cigarette FMCG business with EBITDA margins at 9 per cent, up 180 basis points over FY20. "Our segment EBITDA margins have improved by 640 basis points between FY17 and FY20. In FY21, ITC's FMCG revenue grew 16 per cent on a comparable basis, which is nearly double the industry peer group average and all of that is led by organic growth. Almost 75 per cent of our FMCG portfolio has grown by as much as 20 per cent," says Puri.

STUCK IN A TIME WARP

The share price has been stagnant for years



Despite disruptions caused by the pandemic, ITC's revenue grew 3.3 per cent to ₹53,155.12 crore in FY21. Its profit after tax fell 13.3 per cent to ₹13,389.80 crore but is still 40 per cent higher than rival Hindustan Unilever's (HUL's) ₹7,963 crore.

However, none of this has rubbed off on the company's stock market performance. ITC's stock was at ₹202 on July 2, 2021, down 16 per cent from ₹245 on June 30, 2016. In contrast, stock prices of HUL and Nestle have sky-rocketed and are at ₹2,475 (₹898 five years ago) and ₹17,698 (₹6,488 five years ago), respectively.

Why isn't ITC able to win attention of investors? "More than 80-85 per cent EBIT still comes from cigarettes. EBIT margins of cigarettes have gone up. Hence, dependence on cigarettes remains high. Therefore, overall multiples have been coming down. FII shareholding has come down 13-15 per cent in the last three-four years," says a senior stock market analyst.

Most new businesses are still in the investment phase and haven't matured enough to impress stock markets. Analysts say even if ITC is able to expand EBIT and EBITDA margins of non-cigarette businesses by 15 per cent in the next five years, they would be one-fifth its cigarette margins. "For transformation, the share of cigarettes in EBIT has to come down from 80 per cent to 60 per cent in the next five years," says an analyst.

Multiples of cigarette companies have halved globally. Investors are shying away from investing in tobacco companies on fears they may not abide by global environment, social and governance (ESG) norms. ITC has been hit despite having the best ESG scores in the world. "In the last four years, Sanjiv Puri has made positive changes. ITC has huge financial muscle. It is the largest FMCG company in profits. It has all the components to win. ESG is the only reason the stock is not moving," says Abneesh Roy, Executive Vice-President (Research), Edelweiss Securities.

The other factor going against the diversified conglomerate is its hotel business. The past year has been especially difficult, with hotels not being allowed to operate due to the pandemic. ITC's hotel business shrunk 65.8 per cent in FY21. "ITC has best-in-class hotels, but since the business is tied to macro factors, investors find it much riskier. That's the other reason why the stock gets a lower valuation," says Roy.

Future-Ready

The Puri-Deveshwar strategy is to make ITC future ready. ITC has adopted an aggressive innovation and product launch strategy. Puri has not only taken his mentor's vision forward but also crafted new growth drivers. He ramped up FMCG investments both organically and through acquisitions — ITC acquired Savlon, Nimyle and Sunrise brands. He also made moves in agri-business by getting into value-added products. It recently launched frozen vegetables, fruits and sea-food under Farmland and Kitchens of India brands. Puri claims ITC is well on its way to achieving the ₹1 lakh crore sales target by 2030. "We are serving 3.6 times the markets we served earlier, we are covering 1.6 times more outlets, our stockist outlets have been multiplied four times."

Not only has it strengthened its core portfolio of staples (Aashirvaad Atta), biscuits (Sunfeast) and snacks (Bingo, Yippee! Noodles) and entered into adjacent categories (pulses, cakes and *masalas*), it has forayed into dairy, chocolates and coffee too. In one year, it has had 121 launches, right from a host of Covid-19 products (surface disinfectant sprays, surface wipes, clothes disinfectant spray and vegetable cleaners) under the Savlon brand to ready-to-eat food and snacks.

Arun Kejriwal, Founder, Kejriwal Research and Investment Services, finds brand extensions in a highly commoditised segment like staples unique. "This is a segment where they are capitalising on their agri-sourcing strength. They have direct control over the price and quality of what they are buying and are able to do the right kind of value-addition for the consumer."

Over the past three years, Puri has hired a lot of senior people. Ali Harris Shere, former CMO of Britannia, was brought in to give a facelift to the biscuits and cakes business, while Sanjay Singhal was hired from Dabur to head the dairy and beverages business. "They have got good lateral hires from other FMCG companies. It is a large business for ITC and getting the best talent from outside and not fully depending on internal talent is a good strategy," says Roy of Edelweiss.

In paperboards, it tried to improve efficiencies by investing in pulp made from hard wood. "Across the world, pulp is made with soft wood. India doesn't have soft wood. So, we invested in innovative technologies to convert hard wood into soft-wood pulp. This has been a significant intervention and given us lot of efficiencies," says Puri.

Way back in 2000, Deveshwar gave Puri the task of setting up an ecommerce business. Since the idea was way ahead of its time, the project never took off. He says creating tech-based business practices had always been his passion, and the moment he took over as head of ITC, digitisation was among his top priorities. While the ITC e-store launched during the pandemic last year is the most obvious intervention, almost 10 per cent non-cigarette FMCG revenue, says B. Sumant, Executive Director, has been coming from ecommerce. The company

has also pivoted towards building direct-to-consumer brands. For instance, its personal care brand, Fiama, which didn't have too many takers on conventional trade platforms, has been getting 38 per cent revenue through ecommerce.

In agri-business, e-Choupal is on the next phase of digital evolution. "While e-Choupal 1.0 had less than 10 per cent digital adoption, with 90 per cent farmer engagements being done physically, in e-Choupal 4.0, digital intervention is as high 40 per cent," says S. Sivakumar, Group Head, Agri and IT, ITC. e-Choupal 4.0 aims to bring the benefits of digital revolution to farmers even more effectively. Envisaged as a 'phygital' system, it is designed as a crop agnostic integrated solution that will aggregate remote sensing, precision farming, drone-based services, quality assaying and e-marketplace.

Puri has also created a digital council, DigiNext, as part of which his core team meets once every month. He regularly invites digitally savvy entrepreneurs to talk to his team. He also runs the Young Digital Innovators Lab which, he says, has cyber natives, young employees who understand digital better than the senior team and play a dominant role in new initiatives. Puri says he owes most of his digital knowledge to youngsters in the team. "Everything I speak today about AI, ML and big data, is what I have learnt from my younger colleagues."

Unlocking Value

Analysts, however, believe that the only way the ITC stock can can unlock its potential is through de-mergers. They suggest separate listed entities for cigarettes, paper, hotels, FMCG and agri-business to offer value to stakeholders. "Demerger may improve management focus but will involve significant operational costs. FMCG and cigarettes share a common distribution system. If they separate the two, they will have to create a new distribution system, and that's not going to be cheap," says a former COO of a leading FMCG company.

Kejriwal has a different take on this. He says the management should divide the business into two verticals. The cigarette and hotel businesses, according to him, should be under one vertical, while other businesses should be under a different umbrella. "The hotel business is non-remunerative for them, and though cigarettes are extremely profitable, there is a stigma attached to it. By clubbing the two, any losses in the hotel business can be written off by the cigarette business. The hotel business doesn't lose so much money that it can affect the combined balance sheet of ITC," says Kejriwal.

Puri, however, is non-committal on any possible demerger. He says the stagnant stock price is a matter of concern for the management but the company will not take hasty decisions. "If there is a better way of organising ourselves to create more sustained value for stakeholders, we are open to it, but it has to be something that will generate sustained value. ITC doesn't believe in doing things that will create short-term excitement. We want to look at the long term, that's very clearly our goal," he says. He says the company's financial metrics are in place and

PHOTOGRAPH BY SUBIR HALDER

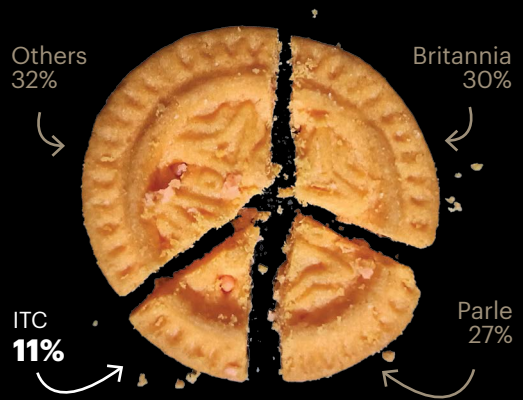
WE ARE FOCUSED ON DELIVERING SUSTAINED PROFITABLE GROWTH. THE WAY WE WILL DO IT IS BY ENTERING CERTAIN HIGH POTENTIAL CATEGORIES"

B. Sumant, Executive Director, ITC

SPREADING THIN?

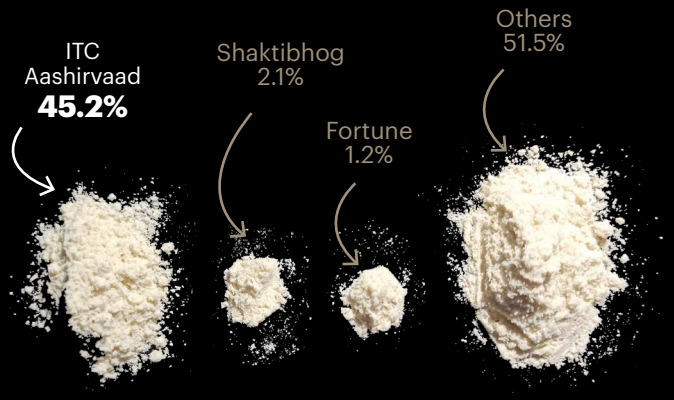
ITC HAS A DIVERSE FMCG PRESENCE BUT IS YET TO BE THE LEADER IN MANY CATEGORIES

BISCUITS



MARKET SIZE
₹40,000 CRORE

ATTA



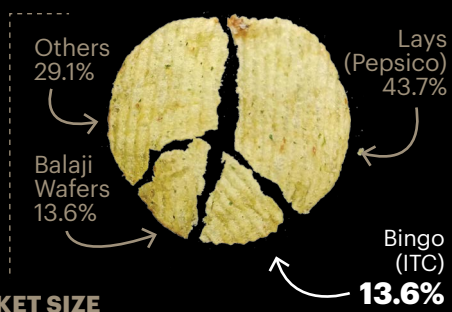
MARKET SIZE
₹20,000 CRORE

INSTANT NOODLES

MARKET SIZE
₹5,000 CRORE

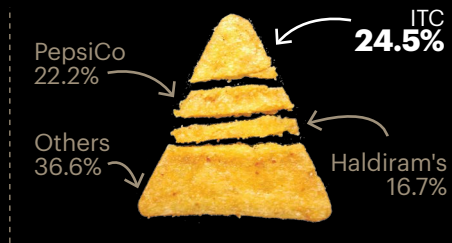
BRANDED SNACKS

POTATO WAFERS



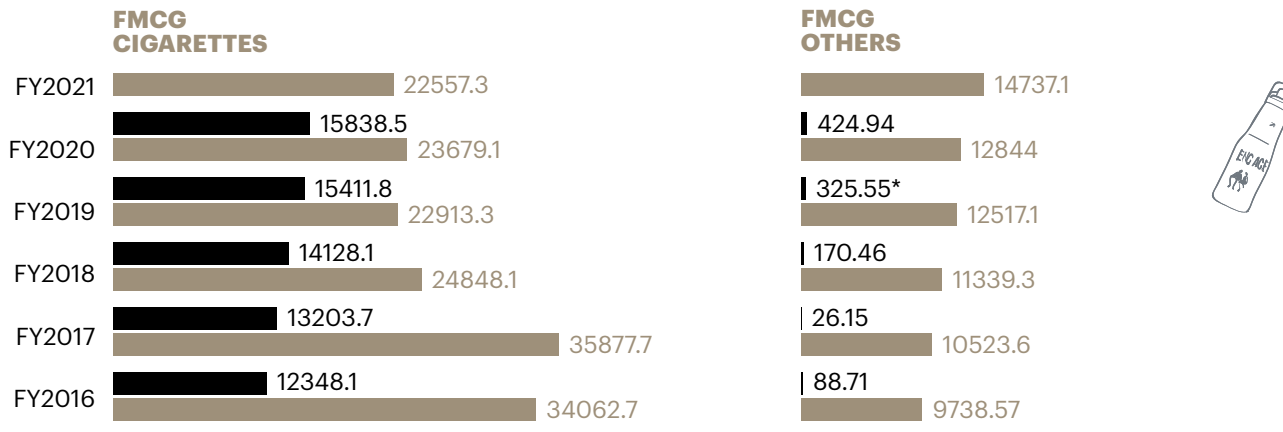
MARKET SIZE
₹32,000 CRORE

BRIDGE SNACKS



GRAPHIC BY AMIT SHARMA

CIGARETTES ACCOUNT FOR A MAJOR CHUNK OF PROFITS



REVENUE UP, BUT PROFIT DIPS

Fiscal	Revenue from Operations	PBIDT	PAT	Market Cap
FY2021	53,155.12	19,628.34	13,389.80	2,68,948.25
FY2020	51,393.47	21,866.27	15,584.56	2,11,425.84
FY2019	49,862.11	20,591.85	12,824.20	3,63,712.66
FY2018	47,688.55	18,322.40	11,485.10	3,12,308.04
FY2017	58,704.52	17,203.41	10,471.26	3,40,673.83
FY2016	55,061.08	15,990.07	9,492.44	2,63,988.40

there is no reason to panic. "In three years up to FY20, our EPS has gone up by 47 per cent. Our ROCE has gone up 24 per cent, we have robust cash flows, sharper capital allocation and much clearer dividend policy."

The advantage of having all businesses under one umbrella is the synergy they can derive from one another. "The FMCG business, the new baby, has been built leveraging a lot of enterprise strengths. For instance, we are using our agri-business expertise to build our frozen snacks portfolio. Our hotel business' strength of understanding cuisines enables us to understand consumer palates and what is required in a kitchen. We are, therefore, able to launch relevant products," says Puri.

He, however, says that nothing is cast in stone. "At one point of time, hotels and paperboard were separate companies, we brought them in with a purpose, and these businesses have acquired scale and market standing over time. We periodically review how to organise ourselves in the context of competitive environment, external challenges as well as business strategy and maturity."

Though demerger of the hotel business isn't on the cards anytime soon, Puri admits that the existing model is causing stress on its balance sheet. Soon, it plans to move to an asset-light, management contract model. "At the moment, there is demand destruction in this segment. We will continue to examine alternative structures in line with industry recovery dynamics. An enterprise exists for stakeholders, not just for today, but for tomorrow as well. It must add value to all stakeholders on a sustained basis. We have to recognise that."

Consumer Bandwagon

ITC sees the next wave of value creation happening in its FMCG business, but industry isn't particularly gung-ho.

Revenue
Profits

consolidated financials; in ₹crore: profit/loss before interest & tax;
* Excludes positive segment results for ₹70.47 a/c restructuring of Lifestyle Retailing Business Division

HOTELS	AGRI BUSINESS	PAPERBOARDS; PAPER AND PACKAGING
659.76	8001.87	4549.83
154	829.74	1305.33
1911.59	5912.54	4498.98
185.69	793.38	1239.23
1728.15	6075.3	4230.4
145	841.49	1042.16
1480.02	4474.22	3695.41
117.12	926.32	965.84
1400.35	5314.13	3732.63
61.61	950.88	907.62
1343.49	4362.78	3757.87

Though its consumer business showed promise in initial years, it has not lived up to it. Apart from *atta* and a few categories in snacks, it doesn't have market leadership in most other segments. In the ₹40,000 crore branded biscuits market, while Britannia and Parle have 30 per cent and 27 per cent market shares, respectively, ITC is a distant number three at 11 per cent.

"There is lack of clarity on what they are trying to build. They are doing many things. The turnover is growing but there is no clarity on what winning means in terms of market share and profitability," says a former CEO of a leading FMCG major. He says operating margins of the non-cigarette FMCG business have been in the region of 6 per cent, as opposed to HUL's around 22 per cent.

Though FMCG has been a star performer in FY21, with Savlon growing 13.9 times and Nimyle 4.5 times, experts say most recent launches have been Covid-centric and one isn't sure if the performance will last in the longer term.

Be it food or personal care, ITC has been a late entrant in most categories. "ITC has done better in food than in personal care," says Roy of Edelweiss. "They should exit soaps and shampoos, as they don't have a right to win there. It is completely dominated by large MNCs who have been around much longer. They have created strong brands and have access to global R&D, which is a huge advantage. ITC, on the contrary, is a strong No. 2 only in deodorants, and that's not a segment where margins are high," he adds.

Roy says FMCG EBITDA margins, despite improvement by 180 basis points, are still way behind the likes of HUL. This raises the question if the company should focus on fewer categories and brands instead of adopting a carpet-bombing strategy? The company, after all, is in 14 food segments. Its FMCG portfolio has 25 brands. It has forayed into chocolates, which is dominated by Mondelez (with over 50 per cent market share) and has, therefore, had no choice but to operate in the luxury segment, which is highly niche. "ITC has invested heavily in attempting to innovate, but product innovation has not made too much of a dent on consumer mind-space," says Raghu Vishwanath, MD of brand valuation company Vertebrand. Vishawanth believes that stock prices are as much a function of perception as profit. "People need to believe in long-term equity and sustainability of the brands, irrespective of the financial muscle of the organisation."

A senior stock market analyst says the debate on margins, profitability and scale has put ITC in a chicken-and-egg situation. "Deveshwar's target was to have ₹1 lakh crore of sales by 2030. With its existing core, ITC can't achieve that number. In order to get scale, they have to be much more diversified and that's going to impact margins. So, they can either focus on scale or profitability."

FMCG Strategy

The ITC management isn't concerned that it's not leading in categories where it operates. Nor does it consider a presence in multiple categories a bad idea. "We are creating a new core for the future with innovative offerings in various stages of development. Some of them are being scaled up, some of them are being piloted or incubated. The idea is not necessarily to scale up every category at the same time. We will progressively scale up as we validate the concept or business model in select markets," says Puri. One example of ITC exiting a non-performing business is lifestyle retail. Industry believes it was a smart move. "There is absolutely no right to win for any FMCG company in retail. ITC should take similar decisions in businesses such as personal care,

ITC'S GAMEPLAN

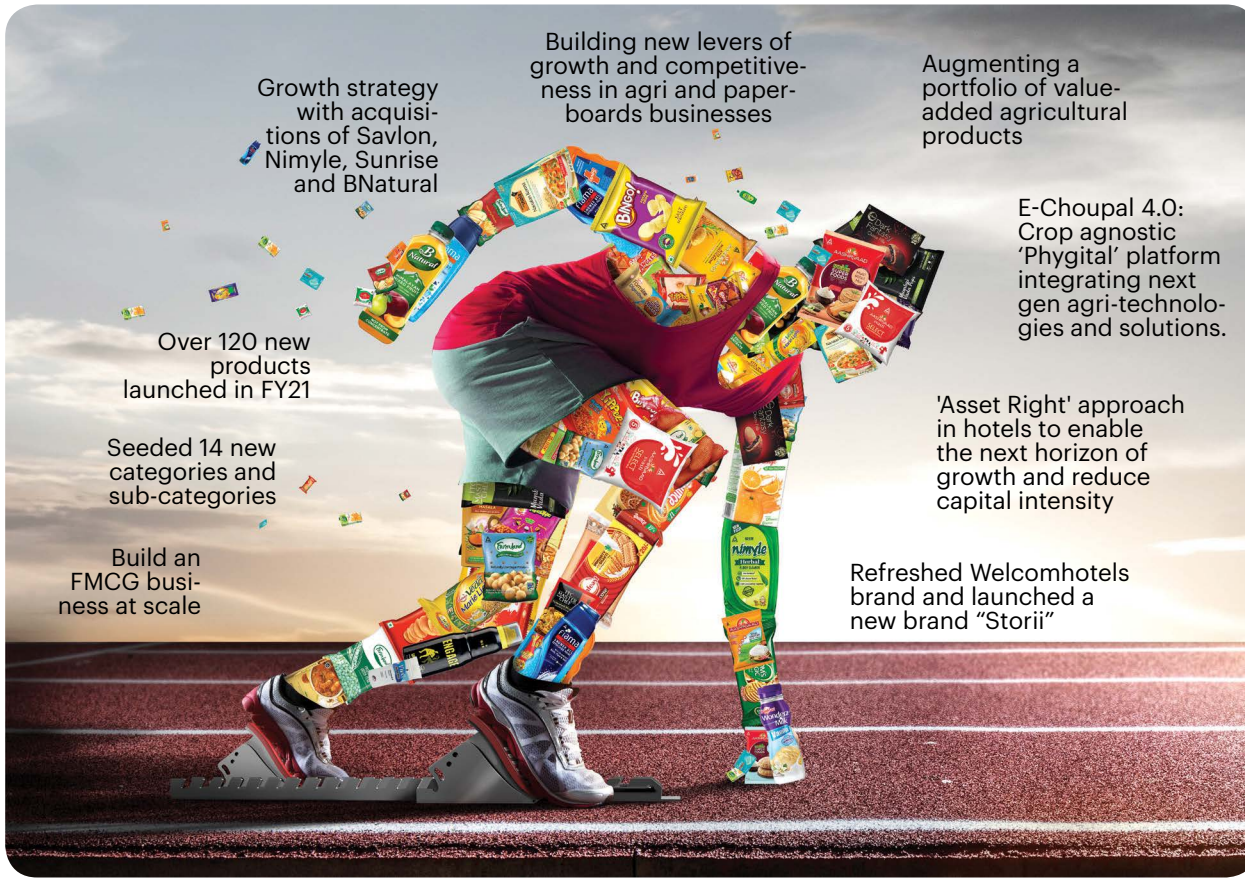

Growth strategy with acquisitions of Savlon, Nimyle, Sunrise and BNatural
Building new levers of growth and competitiveness in agri and paperboards businesses
Augmenting a portfolio of value-added agricultural products
E-Choupal 4.0: Crop agnostic 'Phygital' platform integrating next gen agri-technologies and solutions.
Over 120 new products launched in FY21
'Asset Right' approach in hotels to enable the next horizon of growth and reduce capital intensity
Seeded 14 new categories and sub-categories
Build an FMCG business at scale
Refreshed Welcomhotels brand and launched a new brand "Storii"

ILLUSTRATION BY RAJ VERMA

which is not working for them. That money and management focus can be put into interesting and scalable opportunities," says a senior analyst of a Mumbai-based brokerage.

Puri says the larger ambition is to create a business of scale, which will require immense patience. "We believe we have capabilities in the organisation to do well, we have synergies to do well. Our businesses have scaled up, deriving competitive advantage by leveraging internal synergies."

"We are focused on delivering sustained profitable growth. We will do it by entering certain high-potential categories, which we call the new core, by continuously adding new products and variants in existing formats as well as new products which are adjacent to the current formats," says B. Sumant, Executive Director ITC.

He claims presence in multiple categories gives ITC economies of scale. "In manufacturing, we have created integrated consumer goods manufacturing and logistics facilities, where we have multiple production lines. So, the overheads of running a factory are amortised over six-seven product categories. We have integrated factories that produce *atta*, noodles, biscuits, snacks and juices at scale. The idea is to create a distributed manufacturing network and produce close to the market, thereby ensuring freshness while leveraging logistical advantages. Similarly, when my salesman goes to a store, he sells a variety of products and I save costs on distribution, warehousing as well as transportation," says Sumant.

Since it was a late entrant in almost every category, it was important to ensure its products are superior to

PHOTOGRAPH BY A PRABHAKAR RAO

ITC E-CHOUPAL 4.0 IS AN END-TO-END DIGITAL PLATFORM THAT AIMS TO BRING THE BENEFITS OF THE DIGITAL REVOLUTION TO EMPOWER FARMERS EVEN MORE EFFECTIVELY"

S. Sivakumar, Group Head (Agri and IT), ITC

what was already available. "Unless our offering is better than the best international products, we don't launch. Being a challenger brand in most categories, which already have entrenched players, it has been our endeavour to innovate smart products that are differentiated and serve evolving needs of discerning consumers," says Sumant. He cites the example of the Fiama shower gel where they introduced a technology that keeps fragrance intact for hours.

Most of ITC's FMCG products, barring staples and biscuits, play at the premium end of the market and have limited scope for volume growth. Sumant, though, doesn't agree with this assessment. "Most of our categories are strategically laddered across the range from premium to economy. We have products at all price points. In soaps, we have offerings at the mass end, Vivel competes in the mid-popular segment and Fiama in the premium end. We have a strategy of straddling price points and launching lower unit packs. Even in the premium bodywash segment, we have sachets," he explains.

Won't a presence in multiple categories lead to confusion? Puri seldom gets tired talking about the entrepreneurial culture he has built in the organisation. He has broken the non-cigarette FMCG business into clusters to ensure agility. "We have reorganised the food business into clusters and each cluster has integrated teams that we have empowered to sharpen customer centricity and steer the business. My role has been to mentor all the teams," he says.

ITC v/s Competition

While ITC's dependence on cigarettes is definitely playing against it in the stock market, what have HUL and Nestle done right for a blockbuster performance? According to Kejriwal, what the market likes about the two companies is predictability. "Their results are predictable. One is quite sure that one can't go too wrong by investing in HUL or Nestle. Because of cigarettes, the ITC stock isn't as dependable."

HUL is the gold standard for FMCG in India, explains Roy of Edelweiss. "Their parentage gives them access to latest brands, R&D and scale of sourcing. HUL does so well in soaps because of its sourcing capabilities. They source palm oil globally, giving them better sourcing capabilities then ITC, which is limited to India."

Moreover, both HUL and Nestle are in high ROCE businesses and far more profitable businesses than ITC. "They are also not saddled with a target of serving one lakh consumers. Such targets create problems for shareholders. You may gain scale but will lose out on margins and ROCE. ITC had to do that as its most profitable business is its most controversial business," says a senior analyst.

On its part, ITC is trying hard to morph into a diversified consumer products business with a basket of good-for-you as well as indulgence products. But will this strategy reduce its dependence on cigarettes? Or, will it listen to the market's demand for unlocking value? Stock markets investors are hoping the demerger would be announced soon. Let's wait and watch. BT

@ajitashashidhar

WE ARE SHARPLY FOCUSED ON CREATING LONG-TERM VALUE FOR STAKEHOLDERS"

ITC's FMCG business has been at the centre of the company's transformation journey. But the market is not impressed, and investors believe a demerger is the only way to bring the stock out of the woods. Chairman and MD **Sanjiv Puri** is, however, non-committal. In a conversation with **Ajita Shashidhar** and **Rajeev Dubey**, Puri shares his strategy for the company's next level of growth. Edited excerpts:

It's been three years since you took over as Chairman and MD of ITC. How has the journey been so far?

The overarching objective has always been to ensure sustained value creation for all stakeholders. The journey in the last three-four years has been about architecting the structural drivers for the next horizon of growth and value creation. The strategy reset that I have focused on is to ensure that the organisation remains contemporary, future-ready and one that is extremely consumer-centric and nimble. New vectors of growth have been established across segments and investments are being stepped up to structurally drive competitiveness. There has been a substantial scale-up of digital investments and enabling of agile and purposeful innovation. We have crafted a bold Sustainability 2.0 agenda to build-back better and address the challenges of climate change and the pandemic.

The last few years have seen increased focus on FMCG. What has been your vision for that business?

It is the youngest business in our portfolio and also the most promising. The FMCG product portfolio has been fortified in line with new trends and opportunities and our enterprise strengths. There is a sharper focus on strengthening the existing core, addressing adjacencies through mother brands and creating the new core for the future. We reorganised our structure in the foods business into clusters with empowered and integrated teams. Purposeful innovation, multi-channel distribution networks and digitisation, among others, have been accelerated for powering growth and efficiency. From a topline of around ₹10,500 crore in FY17, our FMCG business has now grown to nearly ₹15,000 crore. EBIDTA margins have improved by 640 basis points between FY17 and FY20. In FY21, ITC's FMCG revenue grew 16 per cent on a comparable basis, nearly double of the industry average. This excludes our acquisition of Sunrise and segments such as education and stationery since schools remained closed. Over 75 per cent of our portfolio has grown by 20 per cent.

Are you looking to unlock any segment, or separate those which are growing slowly and affecting your market valuation?

We are sharply focused on creating long-term value for stakeholders. During the three years from FY17 to FY20, ITC's EPS (earnings per share) grew 47 per cent. Return on capital employed in the segment has moved up from 61 per cent in FY17 to 72 per cent in FY20. A sharper capital allocation policy has been articulated and annual dividend payouts have been stepped up.

At one point in time hotels and paperboard were separate companies, we brought them in with a purpose, and these businesses have acquired scale and market standing over time. We have already adopted an 'asset right' growth strategy for hotels to reduce capital intensity. In our annual report in FY20, we had announced that we were exploring alternate structures for our hotels business. But at the moment there is demand destruction in the segment. We will continue to examine alternate structures. An enterprise exists for stakeholders not just for today, but for tomorrow as

PHOTOGRAPH BY YASIR IQBAL

AN ENTERPRISE EXISTS FOR STAKEHOLDERS NOT FOR TODAY, BUT FOR TOMORROW. IT MUST ADD VALUE FOR THEM ON A SUSTAINED BASIS

well. It must add value for them on a sustained basis. We have to recognise that.

ITC's stock prices have been stagnant for a while, is that a concern? Analysts believe unlocking is the only solution...

The role of the management is to create sustained value for stakeholders, and that is what ITC is focused on. We continue to create new vectors of growth and redouble our efforts, towards making faster progress.

We are aware that there are concerns from the ESG (environmental, social and corporate governance) investment perspective. However, it is well known that ITC has achieved top scores in ESG from global rating companies. As the ESG investing momentum increasingly tilts towards a more holistic 'integration' approach, we are confident that our credentials in the area will stand us in good stead. Last year, because of the pandemic, there has been an impact on demand in certain segments. This affected our EPS last year, but the good thing is that Q4 witnessed appreciable recovery.

Analysts feel you are in too many categories in the FMCG business and there is a lack of focus. You don't have market leadership position in many categories. What's your take?

ITC has achieved leadership in several operating segments within a relatively short span of time. I am not aware of any other organisation that has created a portfolio of brands with a consumer spend of ₹22,000 crore within such a short period. Aashirvaad is the market leader in *atta*, Classmate is the leader in the notebooks segment, Bingo! is No. 1 in the 'bridges' segment, whilst YiPPee! is a strong No.2 in instant noodles. When we launched YiPPee!, it was a 90:10 market. Today, we are close to a fourth of the market. The idea is to attain leadership and that's what we are pursuing. Market share requires sustained investment and continuous innovation. We are making good progress in many other segments as well. For example, Savlon has been a pioneer in consumer-centric innovations during the pandemic and has a consumer spend of nearly ₹1,200 crore. We are also creating the 'new core' in FMCG such as chocolates, coffee, dairy and beverages, among others, and therefore brands such as Fabelle, Sunbean, Aashirvaad Svasti, and B Natural are being developed with a lot of care. The idea is not necessarily to scale up every category at the same time. We will progressively scale up as we validate the concept or business model in select markets. BT

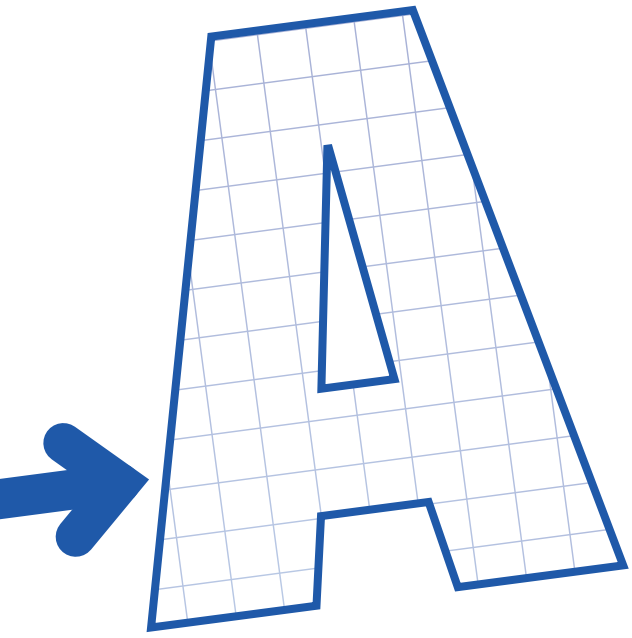
@ajitashashidhar; @rajeevdubey

Finance

SHAPING INDIA'S BAD BANK

Government and RBI are working to make the National Asset Reconstruction Company a reality. Here's why we must learn from global experience

BY ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA



fter the East Asian currency crisis in 1996-97, Malaysia set up two asset management companies (AMCs) — one for buying bad loans from banks and another for injecting fresh capital into weak banks. Both were shut down after seven years. Around the same time, South Korea set up Korea Asset Management Corporation for five years to buy bank loans. It made huge profits by turning around the assets. China, in contrast, opted for four government-led AMCs. One of them, China Huarong Asset Management Co, is seeking a bailout.

Can these different models guide Indian government, regulators and bankers as they gear up to tackle the fresh round of non-performing assets (NPAs) that are building up as a result of businesses getting hit by successive Covid waves? The Indian financial system, which entered the Covid crisis with 8 per cent gross NPAs, seems to be pinning a lot of hope on the central government's move to build a platform — National Asset Reconstruction Company Ltd. (NARCL) — for transferring bad loans of mostly public sector banks (PSBs).

In a parallel move, the Reserve Bank of India (RBI) has initiated the first big overhaul of ARC regulations in 20 years. An ARC buys bad loans from banks at a discount. Also, the Insolvency and Bankruptcy Code (IBC) is being reformed to allow pre-packs for MSMEs. This could be extended to large companies in the near future. A pre-pack involves debt resolution outside IBC with judicial approval. "An overhaul of the ARC framework was long overdue. ARCs allow loan restructuring outside the IBC framework. One is an alternative to another," says Ashwin Bishnoi, Partner at Khaitan & Co, a corporate law firm.

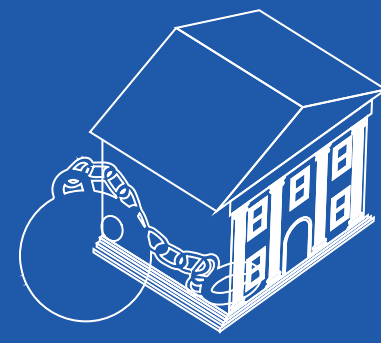
Hinting at coordinated action with the government, a recent RBI paper stressed the need to focus more on ARCs in view of asset quality deterioration due to Covid-19. "The introduction of government-backed ARC (NARCL) for addressing NPAs of PSBs may also shape operations of existing ARCs," it said. Experts expect massive asset quality deterioration in MSME, services, retail (especially unsecured loans) and business banking. This will badly affect bank lending and economic growth.

Here is what the new regulatory framework for bad loans may look like.

Government-Backed ARC-AMC

Finance Minister Nirmala Sitharaman talked about setting up a Bad Bank, under the ARC-AMC (Asset Management Company) structure, in her 2021-22 Budget speech. This puzzled experts as IBC was thought of as fairly effective in resolving bad loans. But the government was worried about delays and low realisation from assets under IBC. Also, the loans were sold at massive

THE EMERGING TOOLKIT



National Asset Reconstruction Company Ltd or Bad Bank

- Clearly defined mandate to resolve PSBs' bad loan problem
- A sunset clause to fold up the bank after five or eight years
- Allowing participation of ARCs in bankruptcy like a resolution applicant
- Professional set-up with sector specialists, no bankers on deputation
- Transparency in dealings, an advisory board with eminent professionals as members
- Better coordination among lenders for selling bad assets

discounts. In some cases, the assets were liquidated. There were also complaints about lack of coordination among PSBs. "PSBs often fight each other in the committee of creditors," says a corporate lawyer.

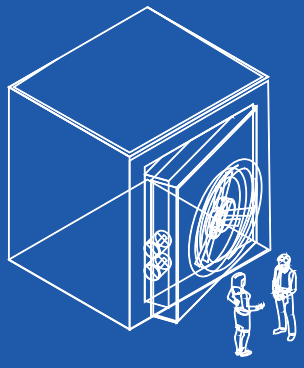
The proposed NARCL will buy bad loans from banks, mostly PSBs. A step-down AMC will work on restructuring, turnaround and resolution. The government is keen to attract alternative investment funds (AIFs) run by private equity and other investors and will provide assurance against security receipts (SRs) issued to banks. PSBs will hold 51 per cent stake in NARCL. Canara Bank will take the highest 12 per cent stake. Private sector banks, too, will join. The investment will be between ₹5,000 crore and ₹8,000 crore depending upon the initial asset purchase plan.

"The government will get a lot of bargaining power. The idea is to attract international investors too," says Jay Jhaveri, Partner, Bhuta Shah & Co LLP, a chartered accountancy firm. Global distressed asset investors will prefer the faster AMC system over IBC. For instance, the Essar Steel resolution under IBC took 865 days. The prescribed time period is 270 days.

Meanwhile, PSBs have identified over ₹2 lakh crore stressed loans that they plan to transfer to NARCL. "These are a mix of NCLT cases, old NPAs and written-off loans," says a banker. At present, their book value will not be more than ₹50,000 crore. In the first phase, close to two dozen companies with loans of ₹90,000 crore will be shifted to NARCL. Regulations allow it to accept only loans that have been fully provided for.

Critics, however, say PSBs are paying from own pocket (as shareholders) to buy their own bad loans (as shareholders of NARCL). According to ARC regulations, NARCL will pay banks 15 per cent cash. The remaining 85 per cent payment will be in the form of government-guaranteed SRs. The SR redemption period will be five to eight years. "The government guarantee will be invoked only after SR losses cross a threshold," says a banker. Credit rating agencies rate SRs on the basis of value that can be realised. In case of a downgrade, the holder has to book mark-to-market losses. However, some ARCs are not in favour of a government guarantee for what is essentially a commercial transaction. "The NARCL structure has to be a one-time affair. Why should the government give guarantees? They are indirectly guaranteeing bad loans of private enterprises," says Siby Antony, former Chairman, Edelweiss ARC.

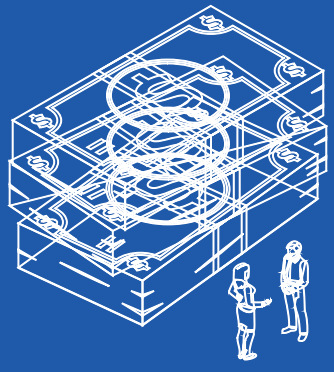
The government is aware of the criticism but is more concerned about cleaning up PSB books. "It wants to get



Private ARCs

Allowing ARCs to invest in equity beyond 26 per cent

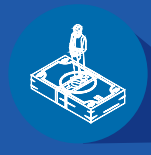
Nod to ARCs as resolution applicant, allowing them to buy IBC assets

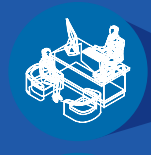


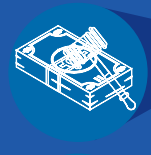
AIF structure to invite outside funds

Redesigning the buying structure of 15 per cent cash and 85 per cent security receipts

Better liquidity in security receipts







IBC

Pre-packs for MSMEs allowed

Likely pre-packs for large corporates too

Higher threshold of ₹1 crore for invoking bankruptcy law

More realistic 330-day deadline for resolution against 270 days earlier

More specialised NCLT and NCLAT benches will be needed

good value from PSBs by way of disinvestment. A clean-up will push up their value," says a consultant.

However, the big challenge will be on the resolution side, where private ARCs are already struggling. "Many NPAs likely to be transferred to NARCL have no value. Why not take them through the IBC process?" asks a consultant. NARCL will need professional management and an independent board to manage resolutions, say experts.

Then there is the issue of RBI prohibiting banks from selling bad loans classified as fraudulent to ARCs. Assets with even a small element of fraud will not be transferred to NARCL. Some experts are also concerned about lack of clarity in valuations. The idea is to transfer bad loans that have been fully provided for at book value. The real value could be higher or lower. "PSBs are not doing independent valuations. This is not a transparent or market-driven sale," says an official of a private ARC. "Clarity is missing in valuation. For instance, banks have different securities which, if invoked, will get them a much higher price than what they will get in an ARC-AMC set-up," says a market player.

Jhaveri of Bhuta Shah & Co LLP suggests a way out. "They could look at proxies such as resolutions in the same sector. For example, the average recovery rate in the steel sector is 35-45 per cent. They could also look at cash flows post-resolution or a hybrid model that includes discounted cash flows. The liquidation value will also be a benchmark for valuation," he says.

Many say making a bad bank successful requires a lot of things. One, it has to be for a specific purpose, and have a sunset clause. In early 90s, Sweden AMC, backed by the government, recovered close to 90 per cent bad loans in six years. The government-backed Chinese AMC, however, failed to deliver.

Re-starting Private ARCs

Days after the NARCL announcement, there was hectic activity at RBI headquarters in Mumbai. In April, RBI's Department of Supervision came out with an in-depth piece on ARCs. A week later, RBI set up a working group to re-look at regulations and suggest steps to give ARCs a bigger role in resolution of bad loans. The group is expected to submit its report in July. "The idea is to have a level-playing field for both sets (private and NARCL) of ARCs," says a market player. "Given the new government-backed ARC, private ARCs want a level-playing field," says Sundaresh Bhat, Partner, and Leader, Business Restructuring Services at BDO India.

Unlike some countries, India had bet on private sector-promoted ARCs in early years of the 2000 decade. The regulatory regime has remained static since then. "Somehow, the potential of ARCs was not realised," says an expert. Out of 30-odd ARCs, top five control over 75 per cent assets under management. There has also been a drastic fall in loan buying by ARCs due to their low recovery rate. In FY20, the amount recovered was 45.5 per cent under IBC and 36.7 per cent under the ARC regime (See *Why IBC is The Preferred Resolution Route*). "The low capital requirement of ₹100 crore attracted all and sundry players to the ARC business," says a consultant.

The rewriting of ARC regulations will serve several objectives. "The government, faced with low growth and high unemployment, is perhaps more sympathetic to businesses at this stage. It wants to give them a better restructuring mechanism than IBC," says a market player. The six-member RBI working group is also studying the role of ARCs vis a vis the new IBC code and also giving suggestions on improving liquidity in SRs.

However, experts say mandate of private ARCs is restrictive. For instance, they can take over management of companies in default only for recovering their dues. Similarly, the SARFAESI Act does not allow them to acquire fresh equity in such companies. It also prohibits them from carrying out any business other than asset recovery and restructuring.

The RBI committee is likely to correct some of these weaknesses. It is likely to recommend participation of ARCs as resolution applicants in the IBC process. The RBI had, a few years ago, turned down the application of an ARC for taking part in resolution of a failed telecom company as a resolution applicant.

ARCs, too, are trying new things such as tying up with outside players to bid for assets. "We have to think about bringing together large ARCs and AIFs for buying bad assets," says a banker. The RBI committee will also look at allowing more freedom to AIFs in the bad loan market.

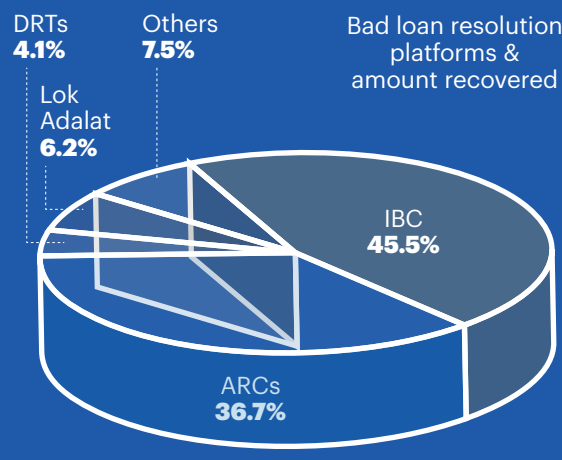
Many financial institutions are already setting up

Why Urgency For New Bad Loan Regulations

₹8.99 lakh crore	₹12 lakh crore
Current size of bad loans	Bad loans in worst-case scenario

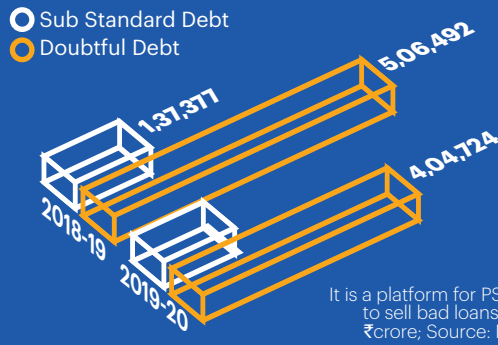
Gross NPAs as of March 2020; projections based on RBI's stability report; Source: RBI

Why IBC is Preferred Resolution Route



Data for 2019-20; amount recovered could include past referred cases; Source: RBI

New Govt-backed ARC Has Its Task Cut Out



It is a platform for PSBs to sell bad loans; in ₹crore; Source: RBI

AIFs in Gujarat International Finance Tec-City (GIFT City) to pool global money for investing in India. "It is the best route for international investors. There is a five-year tax holiday with no withholding tax on pass-through. The entry and exit processes are also very simple for global investors," says Jhaveri of Bhuta Shah & Co LLP. Greater participation of AIFs in the bad loan market will ease pressure on ARCs.

New-Look IBC

NARCL and the new regulatory regime for ARCs will reduce the workload of National Company Law Tribunal (NCLT) benches that is expected to increase considering that the bankruptcy code is back in force after being suspended post Covid-19 outbreak. The newest change under IBC is pre-packs for MSMEs, which will reduce the burden of NCLT benches and maximise value for creditors. But things may not go as smoothly as expected. "The promoter will opt for a pre-pack only if he gets an assurance from banks that they are not going to press for change of management," says a market expert. "The key feature is the power to creditors to initiate insolvency by a two-third vote if they feel the pre-pack process is not going well," says Ashwin Bishnoi of Khaitan. "The biggest issue with pre-packs is that you have to run an auction process if you are giving a haircut to trade creditors. This is going to be time-consuming," he adds.

Some say the success of MSME pre-packs will prepare the ground for a similar framework for large companies. "The pre-pack regime is a welcome change. I think the government is trying to experiment with MSMEs. This could be expanded to large corporates," says a corporate lawyer.

Some think otherwise. "I don't think there is any political capital and will for implementing pre-packs for large companies," says a corporate lawyer, adding, "If the two Covid waves don't give you political motivation, nothing will."

The IBC process has had its share of problems. It initially saw a lot of litigation. The defaulters often disputed the insolvency application itself. There was also lack of coordination among lenders and operational creditors. At times, there were multiple applications at the invocation stage with every lender wanting its own resolution professional to manage the company. The government is looking to remove such roadblocks. For instance, the rise in threshold of dues for starting IBC proceedings from ₹1 lakh to ₹1 crore will address the issue of operational creditors dragging companies to bankruptcy for small dues. Operational creditors have been the most ardent users of IBC. "Also, the new 330-day deadline for resolution is an acknowledgment of reality. No jurisdiction in the world delivers a restructuring of this scale in one year. The UK average is two years," says Bishnoi of Khaitan and Co.

The Indian economy will see a continuous flow of distressed assets given its size and growth potential. Covid-19 alone will add stress to many companies once the one-time loan restructuring ends. The government and bankers have done their job by offering loan moratoriums, loan guarantees and one-time restructuring. Now, it is the turn of NARCL, private ARCs and IBC to protect the value of stressed assets through timely restructuring and resolution. BT

@anandadhikari

Industry

INDIAN PHARMA ON A PROFIT TRIP(S)

Whether WTO approves India-South Africa proposal for TRIPS waiver or not, Indian industry will remain pivotal to global plans to tackle pandemics

BY JOE C. MATHEW
ILLUSTRATION BY RAJ VERMA

In **the first week** of May, Hyderabad-based Natco Pharma approached the Supreme Court with an unusual request. It said it wanted to produce the low-cost generic version of Baricitinib, a patent protected medicine for Covid-19 treatment, and sought a directive to the Drug Controller General of India (DCGI) to quickly dispose of its applications for Emergency Use Authorisation (EUA) and clinical trial waiver. It sought similar directions for another experimental Covid-19 drug Molnupiravir. It also asked the court to ask the Indian Patent Office to expedite its request for Compulsory Licence to bypass market exclusivity of the patent holder, Eli Lilly. Natco said without the regulatory hurdles, it can bring down the per person cost (for a two-week regimen) of Baricitinib from ₹42,287 (innovator's price) to ₹420. But even before the court looked into the case, Natco received EUA. It launched the product at the pre-decided price without waiting for Compulsory Licence.

Natco's action was fit case for a legal challenge from the patent owner over infringement of intellectual property rights (IPR). However, instead of a legal notice, on May 17, Lilly gave

Natco a voluntary licence — a royalty-free, non-exclusive licence allowing it to continue selling the product. Lilly also granted similar licences for making and selling Baricitinib to over half-a-dozen local competitors of Natco. Luca Visini, Managing Director, Lilly India, considers this as proof of Lilly's commitment to support India in its fight against Covid-19 by making available its breakthrough medicines. "We will continue to explore other initiatives to support patients and the healthcare system in India," says Visini. Around the same time, US-based Merck (MSD) signed non-exclusive voluntary licensing agreements with five Indian generic companies for Molnupiravir.

Lilly and MSD are not the only companies that have shown Covid-appropriate behaviour. Several global pharmaceutical and vaccine giants — Gilead, J&J, AstraZeneca, Novovax, Merck KGaA, to name a few — have shed their obsession with protecting IPR and inked out-licensing agreements with generic pharmaceutical firms, including many in India. "The industry is doing what society would have expected us to do — engaging in unprecedented partnerships and technology transfers. I have counted 272 partnerships which the industry has signed on Covid-19. More than 200 of them involve technology transfer," says Thomas Cueni, Director General, International Federation of Pharmaceutical Manufacturers and Associations (IFPMA), Geneva.

"I have counted 272 partnerships which the industry has signed on Covid-19. More than 200 of them involve technology transfer"

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There are humanitarian concerns behind these decisions for sure. However, that is not the only reason. Global pharmaceutical companies are also acting in response to an ongoing global push, initiated by India and South Africa at the World Trade Organization (WTO), for temporary waiver of IPR on Covid-19 drugs, vaccines, diagnostics and other treatments. The initiative is gathering strength. Over 60 countries are co-sponsoring this proposal at the WTO's Council for TRIPS (Trade Related Aspects of Intellectual Property Rights). If all 164 WTO members agree, a waiver agreement could be readied when the WTO General Council meets on July 21-22.

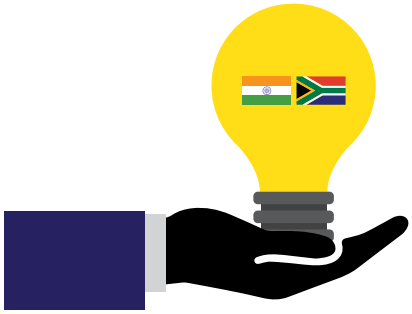
The global pharmaceutical industry hopes to prevent this through voluntary interventions. Will its strategy work? Or will the India-South Africa proposal lead to creation of a new template to share IPR during current and future pandemics? An international game, too close to call, is on.

The Proposal

On October 2, 2020, India and South Africa submitted a proposal to the TRIPS Council for temporary waiver from a few provisions of the TRIPS Agreement for equitable prevention, containment and treatment of Covid-19 at a global scale. By April 30, 2021, over 100 countries supported the move. The proposal, revised on May 25 to address concerns of some members, called for a three-year waiver of copyrights and patents on Covid-19 products and technologies.

The speed at which the discussions happened can be understood from the fact that a formal two-day meeting of the TRIPS Council that ended on June 9 decided to negotiate the actual text of the revised proposal with July-end as the possible approval deadline. Barring the European Union (EU), there is near unanimity among members that the proposal is aimed at improving the international response to Covid-19 and achieving the common goal of providing equitable access to vaccines and other medical products. The high point came on May 5 when the strongest votary of IPR, the US, announced that the Biden-Harris administration supports waiver of protections for Covid-19 vaccines.

"When we presented the proposal in October 2020, it



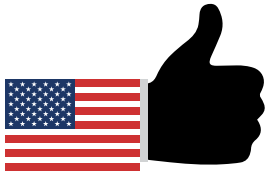
WHAT COUNTRIES WANT WTO TO DO

INDIA- SOUTH AFRICA PROPOSAL

Waive intellectual property obligations for health products and technologies (including diagnostics), therapeutics, vaccines, medical devices, personal protective equipment (and their materials/components and methods of manufacture) for prevention, treatment or containment of Covid-19 for at least three years

EU PROPOSAL

All WTO members should be ready to agree on the following: a) The pandemic is a circumstance of national emergency and, therefore, the requirement to negotiate with the right holder may be waived; b) In order to support manufacturers ready to produce vaccines or therapeutics at affordable prices, especially for low- and middle-income countries, on the basis of compulsory licence, the remuneration for patent holders should reflect such affordable prices; and c) The compulsory licence could cover any exports destined to countries that lack manufacturing capacity, including via COVAX (Covid-19 Vaccines Global Access), a worldwide initiative aimed at equitable access to Covid-19 vaccines



US COMMITMENT

"The Biden-Harris Administration believes strongly in intellectual property protections, but in service of ending this pandemic, supports the waiver of those protections for Covid-19 vaccines. We will actively participate in text-based negotiations at the World Trade Organization needed to make that happen. Those negotiations will take time given the consensus-based nature of the institution and the complexity of the issues involved" - United States Trade Representative Katherine Tai said on May 5

was presumed that vaccine and treatment will be available but not cater to the scale which will be required, therefore all available tools must be used for removing supply-side constraints. Global immunisation is needed to get rid of the virus. So, we must provide 10 billion doses of vaccines in a couple of quarters, and whatever it takes to do that, the (WTO) leadership should do that," Brajendra Navnit, Ambassador & Permanent Representative of India to the WTO, said at a recent online discussion from Geneva.

India says such waivers make economic sense as universal vaccination would mean enormous savings. A 1 per cent drop in economic output costs the world $850 billion. Countries have already given fiscal stimulus of $10-12 trillion in response to the crisis. The cost of 10 billion Covid-19 vaccines, even at an average price of $10 per dose, will be only $100 billion.

James Love, Director of US-based Knowledge Ecology International, an NGO that advocates public interest in IPR policies, termed the India-South Africa proposal as 'practical', though not 'ideal'. "If they (WTO members) have text-based negotiations, it (the proposal) will evolve with a core objective of expanding and scaling up manufacturing, which is important," he says. Love points out that compensation or incentive should not come in the way of the waiver as for Covid "nearly all R&D money for all approved vaccines has come from governments, and IPR has mostly been about making money off government investments and the pandemic."

India had, in fact, clarified in the formal TRIPS Council meeting on June 8-9 that the proponents of the proposal have no intention of denying holders of IP rights benefits beyond the waiver period. It also stated that one of the key revisions in the proposal — to change the preamble of the negotiating text to reflect the balance between commercial interests of IP rights holders and public health — was meant to show that the co-sponsors are not against incentives for R&D and innovation even while acknowledging the importance of public health during a pandemic.

Civil society pressure on WTO members is also building up. "Following US' groundbreaking expression of sup-

port for the TRIPS waiver this month, there is a growing global consensus that this needs to happen, and happen fast. We urge the last remaining governments that keep dragging their feet, especially the EU, to urgently get behind this proposal and stop acting as though 'business as usual' will get us out of this pandemic," says Leena Menghaney, South Asia Head, MSF Access Campaign. RSS affiliate Swadeshi Jagran Manch (SJM) has gone a step further. It joined like-minded groups in 20 countries on June 20 to observe "World Awakening Day" to demand universal access to Covid-19 vaccines and medicines. "We are submitting a petition signed by over 14 lakh people to WTO, governments and companies that are coming in the way of this noble cause of vaccine and medicines for all," says Ashwani Mahajan, National co-convenor, SJM.

The Opposition

On June 4, the EU submitted its own proposal for a multilateral plan to expand production of Covid-19 vaccines and treatments and ensure universal and fair access. Unlike India-South Africa and other proposals, it does not seek TRIPS waiver. The EU wants countries to agree to limit the use of export restrictions and keep supply chains open. It also wants governments to encourage vaccine companies to expand production and ensure supply of affordable vaccines to low- and middle-income countries through licensing agreements, sharing of expertise, tiered pricing (including non-profit sales to low-income countries), contract manufacturing and new investments in manufacturing facilities in developing countries. It also talks about the need to facilitate the use of compulsory licensing within the WTO's existing agreement on TRIPS. "The TRIPS agreement provides this flexibility, which is a legitimate tool during the pandemic that can be used swiftly where needed," an EU statement says. In a broad sense, the EU is seeking what Lilly and other companies are doing on their own. If that does not happen, it wants countries to exercise TRIPS flexibilities and grant Compulsory Licences like the one sought by Natco in India.

Compared to the EU, the US may seem as taking a favourable view towards temporary waiver of vaccine patents, but as long as it allows vaccine companies to hold on to their propriety technology, vaccine manufacturing may not be easy for generic players. Incidentally, Astra Zeneca has reportedly said that it cannot share technology as its engineers are not available. US-based Moderna, which has vaccines developed out of mRNA technology, says it will not enforce Covid-19-related patents against those making vaccines intended to combat the pandemic, but is silent on technology transfer. Even those who support the IP waiver can thus effectively be on the other side if they are not transferring technology.

Even before the EU finalised its proposal, IFPMA, in December 2020, said that in view of the progress made in

GLOBAL PHARMA'S COVID-19 PARTNERSHIPS

There are at least 298 manufacturing & production agreements for vaccines

Innovator	Partner	Product
BioNTech	Pfizer	Vaccine
Oxford University/ AstraZeneca	Serum Institute of India, Daiichi Sankyo	Vaccine
Johnson & Johnson	Aspen, Sanofi, MSD, Biological E	Vaccine
Novovax	Takeda, Serum Institute	Vaccine
CureVac	Novartis, Bayer, GSK	Vaccine
Moderna	Lonza	Vaccine
Gamaleya Research Institute	Dr Reddy's, Hetero, Gland, Panacea, Virchow,Strides	Vaccine
Eli Lilly	Lupin, Cipla, Sun, Natco, Torrent, Dr Reddy's	Drug
Gilead	Cipla, Dr Reddy's, Hetero, Jubilant, Mylan, Syngene, Zydus	Drug
Merck KGaA	Serum Institute	Monoclonal antibodies
MSD	Cipla, Dr Reddy's, Emcure, Hetero, Sun	Drug

PATENT APPLICATIONS IN INDIA FOR ASTRA VACCINE

Applicant	Claims coverage	Patent expiry
ISIS Innovation	Adenovirus vector comprising capsid derived from chimpanzee adenovirus AdY25	December 20, 2032
ISIS Innovation	Immunogenic composition or vaccine with simian adeno virus vector	November 9, 2028
Oxford University	ChAdOx2 vector derived from ChAd68/ C68/ Pan6/ sAd25 adenovirus	Awaiting examination
Oxford University	Recombinant simian adenovirus ChAdOx	Awaiting examination

Source: JAN SWASTHYA ABHIYAN

"If the company gives licence on its own, then why should we ask for compulsory licence?"

Sudarshan Jain, Secretary General, Indian Pharmaceutical Alliance

providing Covid-19 solutions and partnerships in place to boost research and scale up manufacturing of vaccines and treatments, diluting IP frameworks would be counterproductive. The industry body's argument was that the IP waiver "will not lead to faster research and development or access, but will undermine confidence in what has proven to be a well-functioning IP system, allowing the industry to partner with confidence with academia, research institutes, foundations and other private companies, significantly expediting the research and development of medicines." This is reflected in the EU proposal.

Indian generic pharmaceutical and vaccine companies take a balanced view as they have been benefiting from voluntary partnerships right from the beginning of the pandemic. For instance, US-based Gilead Sciences has signed non-exclusive voluntary licensing agreements with Cipla, Dr Reddy's, Hetero, Jubilant, Syngene and Zydus Cadila in India to manufacture and supply Remdesivir, prescribed for some Covid-19 patients. The companies have the right to receive the Gilead manufacturing process to scale up production more quickly. The licensees set own prices for their generic product. Similarly, Covishield, produced by Pune-based Serum Institute through a partnership with UK's AstraZeneca, is what is driving India's Covid-19 vaccination. Serum has a Covid-19 vaccine tie-up with Novovax. It is also collaborating with Merck KGaA to develop neutralising monoclonal antibodies to fight the Covid-19 pandemic. While J&J has partnered with Hyderabad-based Biological E, Russian Direct Investment Fund has been offering technology and manufacturing licences for its Sputnik Covid-19 vaccine to several Indian companies.

Sudarshan Jain, Secretary General, Indian Pharmaceutical Alliance (IPA), which represents major home-grown generic players, says IPA has always respected IPR and stood for a balance between innovation and access. "During Covid-19 times, what we are saying is that since technology is very complex, if you have only patent waiver and compulsory licensing, it will not serve the purpose. Developing MRnA technology, for instance, is not easy. In such a situation, a voluntary licence is important. And patent waiver has to be accompanied by technology transfer," he says. "If a company gives the licence on its own, why should we ask for a compulsory licence? We will always be looking for more cooperation. We respect IPR and if companies are ready to cooperate to ensure access of medicines to patients, we should support such initiatives. A classic example is Gilead. They gave Remdesivir licences to seven companies. So, if the company is supporting, there is no need for compulsory licensing. They have also supported differential pricing, which is very important," he says.

James Love, on the other hand, is not a fan of voluntary technology transfer agreements. "I don't see great technology transfer (happening). I think you will have more secret agreements, some toxic tech transfer agreements that feature NDAs (non-disclosure agreements), and many firms not being able to use capacity," he says.

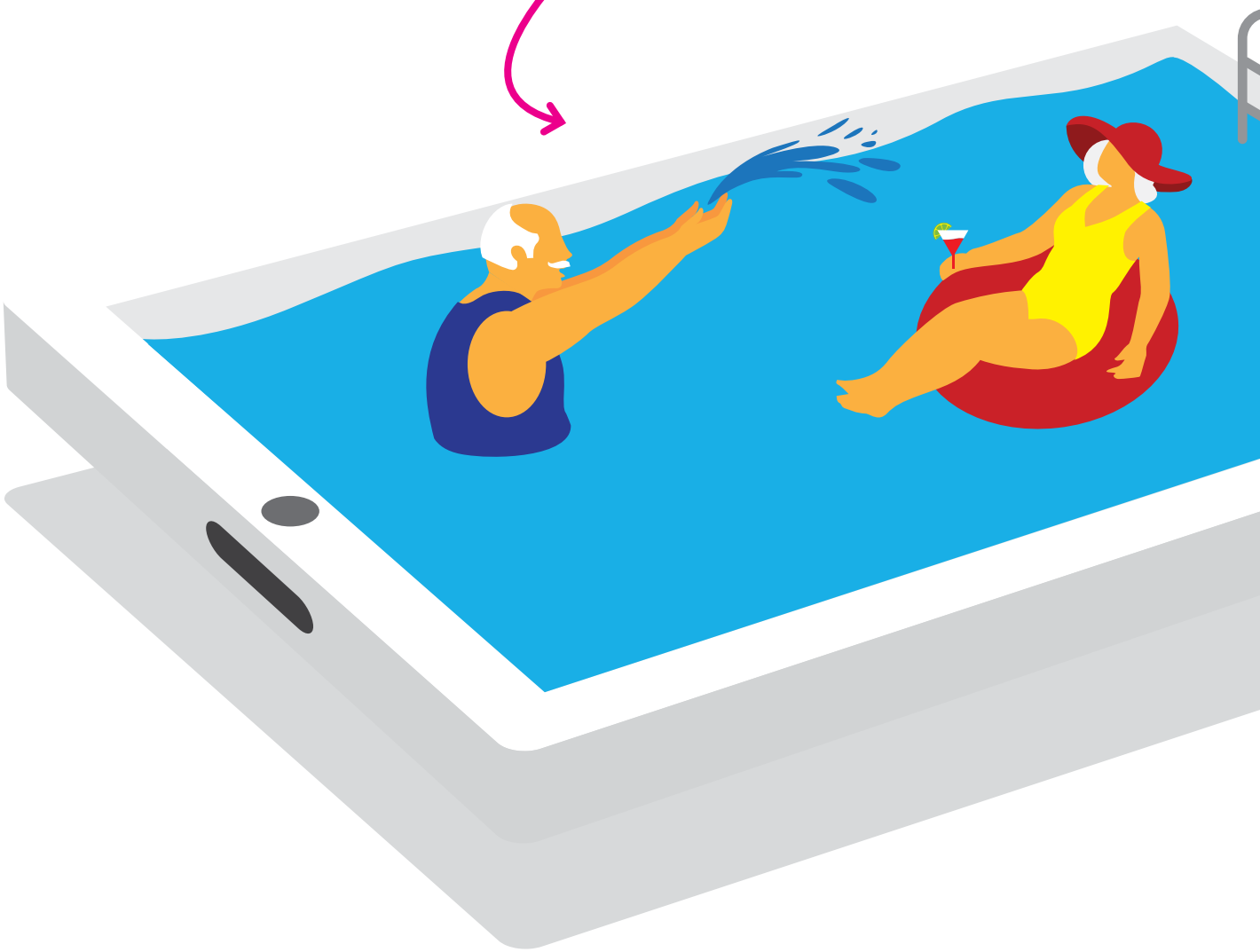
The Wait

The WTO takes decisions by consensus. Hence, the global pharmaceutical industry has hope until every member country agrees to the India-South Africa proposal. Even if there is an agreement, it could cover only vaccines and considering the US has so far pledged vaccine-specific support. The EU may not be comfortable unless there is a proposal that further limits the scope of patent waiver. Also, WHO members have initiated a parallel move to address future pandemics at a global level. The plan is to propose an International Pandemic Treaty to find mid- and long-term solutions. If the WHO proposal gains strength, it may divert some attention from moves at the WTO.

The shape of the international response to finding preventive and curative solutions for pandemics may depend on how serious the global community has taken India's parting words. What is certain for now is that whatever the decision, Indian pharmaceutical and vaccine makers will have a significant role to play. The wait for the fine print continues. BT

@joecmathew

THE BUSINESS OF THE ELDERS



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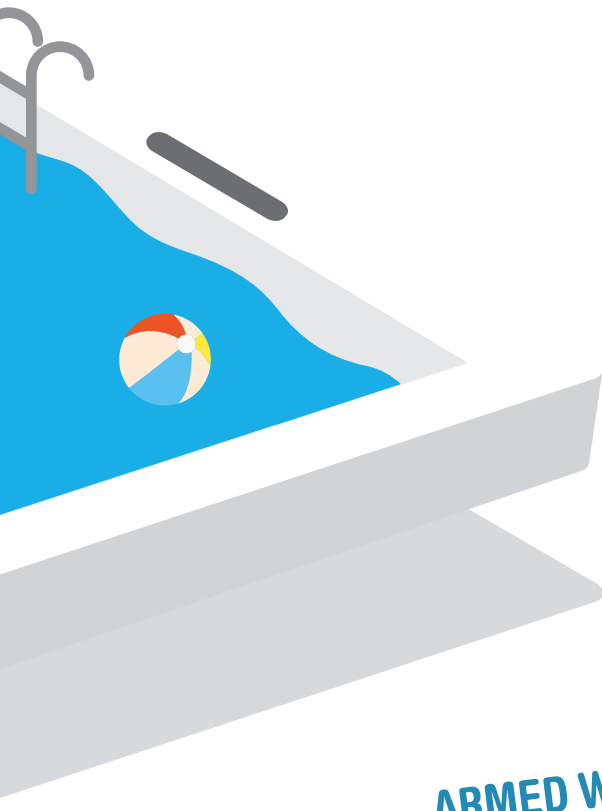


POPULAR AMERICAN show on Netflix *Grace and Frankie*, a retired cosmetics baron and a hippie artist are forced to live under the same roof when they get to know that their husbands are in love and want to get married. The series goes on to show how the two septuagenarians navigate life independently. Not only do they go for indulgent holidays and steamy dates, they also launch their business venture, Rise Up, to make hydraulic-powered toilet seats for the elderly.

Though the show is a comic interpretation of Grace and Frankie's adventures and misadventures, for marketers, it is smartly-woven around an important cohort of consumers — the senior citizens — a $7-billion market in the US. The nascent market is now booming in millennial-obsessed India as well.

ARMED WITH DISPOSABLE INCOME AND A WILLINGNESS TO SPLURGE, THIS CONSUMER COHORT COMPRISES OVER 10 PER CENT OF THE POPULATION. NO WONDER MARKETERS ARE BEGINNING TO TARGET THIS SEGMENT WITH SPECIALISED PRODUCTS

BY AJITA SHASHIDHAR
ILLUSTRATION BY RAJ VERMA

Around 120-million Indians, according to a Deloitte report are above 55. The figure is estimated to rise to around 300 million by 2050, accounting for 20 per cent of the overall population. Spending by senior citizens is predicted to increase from $100 billion in 2020 to almost $1 trillion by 2030. What makes this cohort lucrative is their high disposable income and willingness to spend on themselves.

SILVER MARKET

120 million

Elders in India above the age of 55

40 million

Live in urban areas — 50 per cent of them have the ability to spend

300 million

Estimated No. of senior citizens in 2050, 20 per cent of the country's overall population

Spending Power

Of the 120-million elders, about 40 million stay in urban areas, and over 50 per cent of them have the ability to spend ₹40,000-50,000 a month. With a bank balance to boast about, they are as aspirational as the millennials. From financial services to personal care products and from hospitality to gadgets and even real estate, companies are increasingly beginning to tailor-make products for these consumers.

Music and content company Saregama India, for example, in 2017, launched Carvaan, a pre-loaded music box, which looks like a transistor, specially targeted at the silver generation. The ₹521.47-crore company has even come up with variants of Carvaan in regional languages and has sold over 2.4 million units since its launch. Apart from the regular Carvaan (priced at ₹6,000), there's also Carvaan Mini priced at ₹2,500. It includes the *Bhagvad Gita*, *Gurbani* and *Bhakti* songs. Carvaan recently introduced podcasts in its new version and Saregama India Managing Director Vikram Mehra is surprised at the variety of content that consumers are open to. "While news and religious music are a given, consumers are even lapping up wine and whisky appreciation podcasts. In fact, the most popular is the one on single parenting."

Age is no more a barrier for the current generation of elders who want to live life king size. While spending on assisted living tools (elderly care services such as medical care, wheelchair, adult diapers etc) is a given, this new-generation of elders also want to live independently, look good and travel places. They are not apologetic about spending on themselves. "By 2050, this segment will be 20 per cent of India's population, and will account for 20-25 per cent of consumer spending," points out Sanjesh Thakur, Partner, Risk Advisory Practice, Deloitte India.

So, when Tapan Mishra founded e-commerce platform Seniority.in in 2015, the stress was on providing assisted living — from wheelchairs to hospital beds and adult diapers. The past year has seen Mishra focusing more on building a direct-to-consumer personal care business targeted at 55-year-olds and above. "We started with nutraceutical products under the brand name Seniority and are soon going to rollout hair care and skin care for this age group," says Mishra, who is also the founder of Evergreen Club, an online platform that helps the silver generation to not just avail the services of doctors and physiotherapists, but socialise as well. Launched in March 2021, the platform offers a plethora of activities — from *antakshari* and housie sessions to yoga and cooking classes. In the past four months, there have been 75,000 downloads on the Android store, according to Mishra. In June, Evergreen Club launched a paid subscription model. Around 1,000 signed up within the first 10 days.

Mishra says the company's personal care products cater to the needs of this consumer cohort. "Most brands offer age-defying or anti-ageing products, which this cohort of consumers are not looking for. They want products that will help them age gracefully."

Ad man-turned entrepreneur, V.S. Srikanth, Co-Founder, Fifty Rocks Lifestyle, is also getting ready to rollout a range of premium personal care products for the 50-plus under the brand name Amazing Grey. "This population amounts to 40-42 per cent of India's population in terms of value consumption. The millennials have no money," says Srikanth.

Last year, ICICI Bank launched Retire Happy Solutions, targeted at 55-year-olds and above. "This age group is five-six years away from retirement, so, it's not a bad idea to open a NPS account. Most people start buying health insurance at the age of 54, which covers them till the age of 74. Retire Happy Solutions curates that too," says Pranav Mishra, Head, Liabilities, ICICI Bank. The product also has

$100 billion

Spending by senior citizens in India in 2020

$1 trillion

Estimated spending by 2030 (total consumer spending likely at $6 trillion)

In the consumer class (defined as everyone spending $11 a day), older people are major consumers due to high needs (specialised care)

The consumer class among older professionals (45-64) and seniors (65+) is expected to be the highest at 76 per cent each in 2030

SPENDING PATTERN OF 55-PLUS

Negative

Travel (-9 per cent) and restaurant/ takeout (-1 per cent)

Positive

Clothing/ footwear/electronics and furnishing; For 57 per cent of the group, if they receive a good bargain on a non-essential item, they would spend on it

Source: Deloitte Consumer Tracker for March 2021

PHOTOGRAPH BY MANDAR DEODHAR

"While news and religious music are a given, users (55-plus) are even lapping up wine and whisky appreciation podcasts"

Vikram Mehra, MD, Saregama India

features such as FD Invest and FD MIP. "What it means is you have created an FD for five years and the interest which will come out of it can go into SIPs. Similarly, the interest money that will come from FD Invest will come in the form of a monthly income plan so that it can act as income replacement," he adds. The product also offers travel loans for this cohort of consumers.

New-age Elders

This is also the generation whose children have stepped out of their homes to work in other cities, and as a result

of which most of them are empty nesters. Real estate companies are capitalising on the same. The past decade has seen the emergence of retirement communities such as Columbia Pacific and Antara, which offer end-to-end services such as medical care, kitchen and house-keeping facilities for residents. "While the millennial is more into the sharing economy than buying, seniors are happy to pay a premium for comfort. They have disposable income, and are willing to invest and indulge," says Mohit Narula, CEO, Columbia Pacific. Its communities are self-sustained. "Senior residents don't have to worry about sweeping, mopping, maintenance or food," adds Narula.

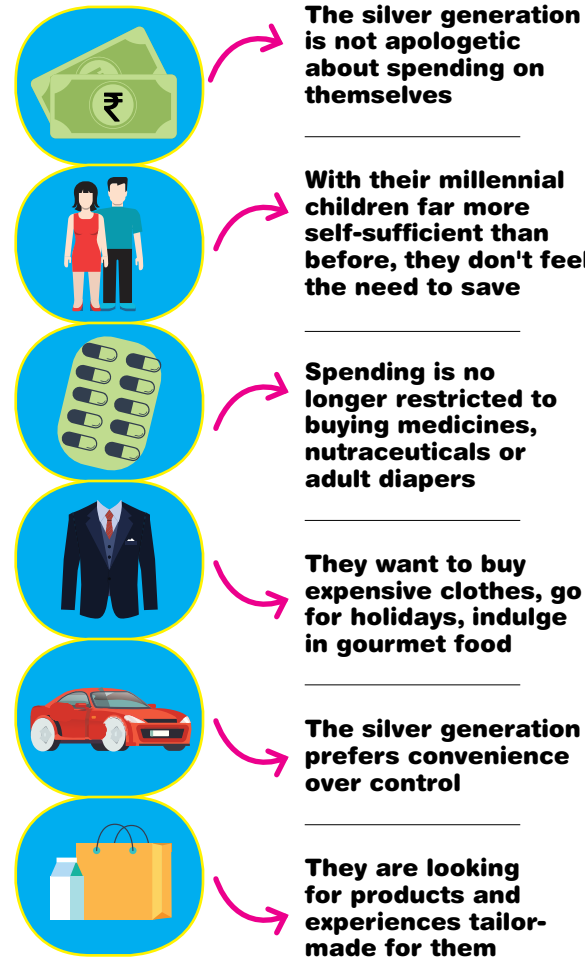
Prashin Jhobalia, Vice president, Strategic Marketing, House Of Hiranandani, doesn't want to label his properties as a senior citizen community, but says it is the 50-plus cohort which is the target audience for its premium residential complexes. "While facilities such as hospital, ambulance and dining room are a given, they are looking for spacious homes, great views and well-equipped clubhouses. Since they are looking at spending the rest of their lives here, they don't want to compromise on quality." These gated communities are priced from ₹40 lakh to ₹4 crore. "Consumers are happy to pay a premium for amenities, which they were not willing to do 10 years ago," says Jhobalia.

While real estate companies are launching senior citizen communities, tech companies such as Emoha and MedRabbits are offering assisted living services. Consumers just need to download an app and subscribe to a host of services, including medical care, grocery delivery and even entertainment. Emoha, says Co-founder and CEO Saumyajit Roy, has installed sensors at homes of its consumers, so that whenever there is an emergency it can rush to help. "The idea is not to box our elders in an old-age home, which is regressive. For every home we take care of, we look at how we can take care of emergency support needs, how elders could socialise and also learn new skills."

"The biggest pandemic is not Covid, it is loneliness," adds Roy. Emoha TV has been one of the hot favourites of the 55-plus community during the pandemic. It offers over 700 activities from the comfort of home.

"Just as what edtech is for education, our ambition is to make a similar impact on the senior citizens market," adds Amol R. Deshmukh, Co-founder, MedRabbits.

MINDEST CHANGE


The silver generation is not apologetic about spending on themselves
With their millennial children far more self-sufficient than before, they don't feel the need to save
Spending is no longer restricted to buying medicines, nutraceuticals or adult diapers
They want to buy expensive clothes, go for holidays, indulge in gourmet food
The silver generation prefers convenience over control
They are looking for products and experiences tailor-made for them

Convenience Matters

Such consumers are the favourites of the hospitality industry too. Be it tour operators or resort companies such as Sterling Holidays and Mahindra Holidays, it is the 55-plus segment from where their revenues are increasingly coming from. "When I go for a holiday I don't want to go to a place where kids are yelling. I want to go to a place where I can do my thing. I need menus which will suit my age and needs," says V.S. Kannan Sitaram, Former COO, Dabur, and currently Venture Partner at Fireside Ventures.

Hospitality companies are going all out to cater to the needs of consumers such as Sitaram, who are essentially looking for experiences and are willing to pay for it. From yoga getaways and wellness holidays to camping by the river side in comfortable air-conditioned tents, most of the newer properties of hotels and resorts offer experiences tailor-made for the new silver generation. "Over 25 per cent of our new members are above the age of 50," says M. Harinath, Vice president, Corporate Marketing, Sterling Holidays. One of Sterling's best-performing resorts before Covid struck them was the company's wellness resort in Rishikesh, where bulk of the guests constituted the 50-plus age bracket.

"The current silver generation started earning more than their parents and were able to save at a younger age"

Pranav Mishra, Head, Liabilities, ICICI Bank

"While millennials opt for weekend getaways, elders prefer longer stays. They don't mind spending one-two weeks for an ayurvedic experience so that they can take the full benefit of the treatment. This helps us improve our occupancy rates, especially during off season," he adds.

Mahindra Holidays has created a 10-year membership programme, Bliss, targeted at the 55-plus cohort. Bliss focuses on offering experiential holidays to its members. Priced at ₹2-4 lakh, Bliss is Mahindra Holidays' top-performing product. "Fifty five is the new 25. It is far more profitable to focus on this cohort as they spend more at resorts. They contribute the highest in terms of revenue per customer," says CMO Pratik Mazumder.

Be it living in a residential community that offers all kinds of amenities or subscribing to a service such as Emoha, convenience is the prime factor. "Between the age of 18 and 35, you are in that state of your life, where you believe you are on top of the world and everything should be happening according to your choice. You want to control every aspect of it. As you start growing older, you realise that even if you want to control your life, you can't. More and more people start valuing convenience over control," explains Mehra of Saregama.

The idea behind Carvaan, he adds, is to offer convenience and not control its target audience. "A digital app will give you control, you can control which song you want to hear, you know who the composer is. However, Carvaan is all about music playing out. I like Kishore Kumar or Lata Mangeshkar's song, so I need a platform where I can listen to them. An average 50-year-old living in Kanpur or Satara find it difficult to explore technology on their own, they typically end up using features they are comfortable with. That's one part that anybody who wants to target this segment needs to realise," he says. The Carvaan success story has been instrumental in turning around the stagnant music business of RPG into a profitable venture.

Other consumer categories are also realising the importance of convenience. During the first wave of Covid-19 last year, Bata India launched its store-on-wheels, the idea for which came from requests by senior citizens to deliver footwear home. Titan Company's eyewear brand, Titan EyePlus, has started offering eye-testing services at consumers' homes, and CEO Saumen Bhaumik says that though the service was launched keeping the Covid-19 lockdown in mind, going forward, the company will continue to offer the same. "A large segment of our consumers are above 55 years and are seeking convenience," he adds.

Growing Potential

Indian marketers are obsessed with millennials and understandably so, since they comprise 70 per cent of the country's population. Leading skin care brands do have anti-ageing products, but no solution for skin care concerns of an elderly consumer. In apparel, brands do have options for consumers who have a big built, but they have nothing specifically for senior citizens. "I recently went trouser shopping and checked out all the leading brands, but I couldn't find anything that I would be comfortable wearing. Most of the collections were meant for the 20 somethings," says Sitaram of Fireside.

"This is a neglected segment, which has huge scope. If I look at a consumer cohort of 20 crore in the next 25 years, it is a mammoth population. It's not a generation that wants to hoard gold and wealth, but spend on things that give them convenience. Unfortunately, enough isn't being done for this consumer cohort," points out Thakur of Deloitte.

PHOTOGRAPH BY RAJWANT RAWAT

Mehra of Saregama says for most brands it makes business sense to look at 70 per cent of the population where everybody wants to look good, rather than speak to the remaining 30 per cent, of which only 10 per cent wants to look good. "You look at an average person in Kanpur or Nagpur, they won't care about going to the gym that much. As far as they are concerned, it is for their kids. However, there is a goldmine sitting in that age group and very few brands fighting for that particular set of customer."

The single-minded focus of a 55-year-old a decade ago was to save for his/her retirement. It's no longer the case. Mumbai-based investment banker couple, Kapil and Priya Mathur (58 and 55), have been empty nesters for the past few years. Their children are well-settled and the couple is inching towards the retirement age. They recently went to Ananda Spa near Rishikesh for a week-long holiday. "We are doing all that we couldn't do earlier. We have planned our retirement, bought houses and the children are more or less settled. It's now time for a little bit of indulgence."

On the other hand, for 80-year-old Iti Mishra, who retired from corporate life over 15 years ago, age is just a number. The tech-savvy octogenarian goes on holidays across the globe on her own. She has close to 1,000 followers on Instagram and her food blog Cheffington Post has caught the attention of leading fine-dining restaurant chains across the country. She often curates specialised menus for them.

What has led the current silver generation in India to be indulgent and not conservative like their predecessors? ICICI Bank's Mishra attributes it to the first phase of liberalisation in 1991. He says most Indians born in the late 60s and early 70s got their first jobs post 1991, and that made the difference. "They started earning more than their parents and were able to save at a much younger age. Around 2000/01 interest rates came down significantly, and banks also started lending for home loans or any secured asset."

According to Mishra, liberalisation created lucrative jobs and people no longer worked in one organisation for life. They started experimenting with jobs, which led to higher appetite for risks, and was demonstrated in the way they invested. "Since they had higher disposable income, their ability to take loans and repay was higher. They were into value- and long-term investing through SIPs, which helped them create long-term wealth. Indians also started believing that health- and term-life insurance isn't a cost, but protection for themselves and their families."

> **"For every home we take care of, we also look at how elders could socialise and also learn new skills"**
>
> **Saumyajit Roy,** Founder, Emoha

Unlike their parents who saved all their lives so that they were able to invest in a house around the time they retired, the current silver generation invested in their first property when they were in their late 30s or early 40s, and have systematically planned for their retirement. This has resulted in higher disposable incomes and spending power.

In fact, the 55-year-olds don't appreciate being addressed as 'seniors'. They are aspirational, they want to look and feel young and have the wherewithal to indulge. High time brands across the board carve out a strategy around them. BT

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Diesel Generators: Powering Industries

For a long time, diesel generators have pretty much been the backbone of industries, small and big, for being the most credible solution for temporary or mobile power because of their all-rounder, and weather-independent operation. In keeping with this, the India diesel generator market which has throughout exhibited a steady growth is expected to grow at a CAGR of more than 3% over the period of 2021-2025, according to P&S Intelligence Market Research report.

The industrial segment accounts for the largest market share, and is expected to dominate the market during the forecast period as well. Utilities/power generation and oil and gas industries are the largest users of diesel generators in the industrial segment. This apart, factors such as an increase in demand for uninterrupted and reliable power supply and increasing growth in the healthcare industry have contributed towards its increased use. Moreover, the government's digitization projects, revival of the commercial real estate sector, and foreign and domestic investments are also predicted to lead to the establishment of multi-tenant and single-tenant data centres, which will drive the demand for these diesel gensets.

An overview

The diesel generator set market in India can be broadly classified as small diesel generators (5-75 kVA), medium diesel generators (75.1 – 375 kVA) and large diesel generators (375.1 – 2000 kVA). Diesel gensets with 5 kVA-75 kVA rating accounts for significant India diesel genset market share due to their wide usage across various applications, ease of availability, and low cost.

In terms of volume, the category of 5 kVA–75 kVA gensets is estimated to hold the largest share in the Indian diesel genset market. These gensets are employed in high volumes at residential and small commercial installations, construction projects, and telecom towers. Besides, factors such as investments in the telecom sector and growing installation of towers for connectivity in remote locations, coupled with improvements in current network capabilities are also expected to support the demand for these gensets in the Indian diesel genset market. An increased utilization

of lower rating gensets across domains such as telecom infrastructure in unreliable and off-grid areas would help 5 kVA-75 kVA diesel genset market segment to further maintain its dominance during the forecast period.

Besides, since these generators are manufactured by a large number of market players in both organised and unorganised sectors, they are generally competitively priced.

Key growth drivers

The growing demand for uninterrupted and reliable power supply with an increase in consumption of primary energy in India is expected to drive the India diesel market with significant demand from the private sector.

*High demand is likely to come from the healthcare industry, especially in the light of the pandemic, due to their high growth and features like the requirement of immediate electricity, high voltage for electrical equipment, which prefers methods akin to diesel generators.

*The Indian manufacturing industry is also poised for growth on account of private and public investments, government schemes, development of special economic zones, and improvement in transportation and logistics network. Diesel generators are widely employed in manufacturing facilities owing to uncertainty, power-intensive production lines, and the need for a reliable backup power source. Thus, growth in the manufacturing industry during the forecast period is expected to drive the demand for diesel generators in the country.

*Construction and localisation of data centres are also anticipated to act as an inflection point for the generation of a high demand for these generators, thereby, positively impacting the Indian diesel genset market.

Where's the demand?

In terms of volume, nearly half of the demand in the Indian diesel genset market is estimated to be generated by Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra, Gujarat, and Uttar Pradesh in India. This can be mainly attributed to the high regional demand for these gensets in various application areas, including industries, telecom towers, residential facilities, construction projects, and manufacturing plants, for meeting prime and auxiliary power requirements.

Source: *P&S Intelligence Market Research report*

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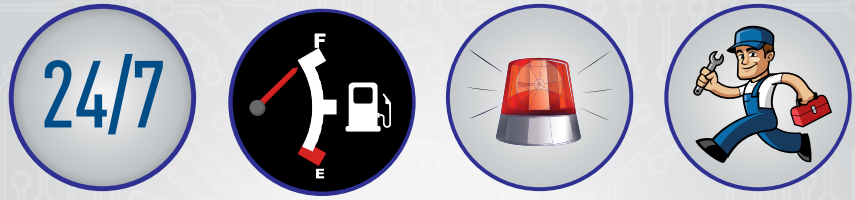

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Vice President &Country head India Operations

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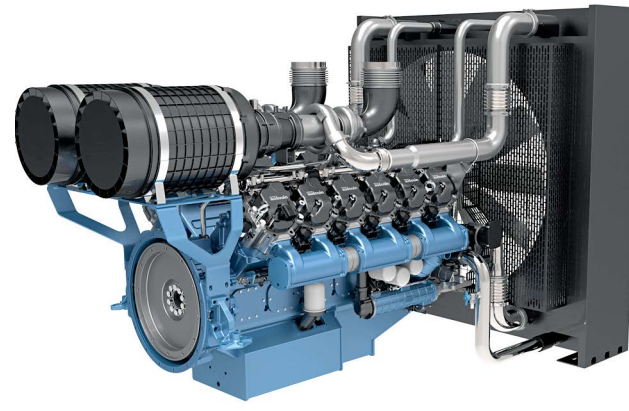

Currently we are focusing on Medium and High horse power PG market. We believe customers in India need more options especially in HHP range. This need is becoming more and more significant, as customers need high end technology at affordable price and extended warranties and guarantees. We believe skewed market shares are difficult to sustain and expect HHP PG market to evolve like construction machines and passenger vehicles market providing more and better options to customers. Baudouin would be one of the player which will play significant role in next 2-3 years to help this transformation.

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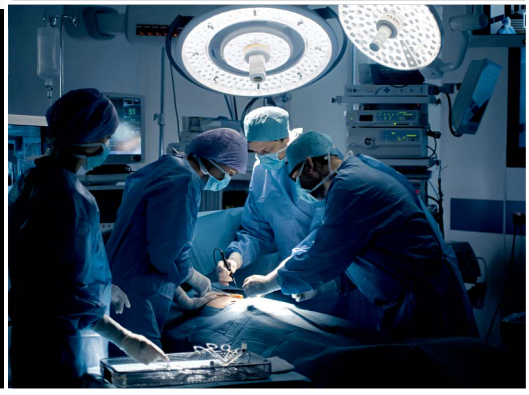

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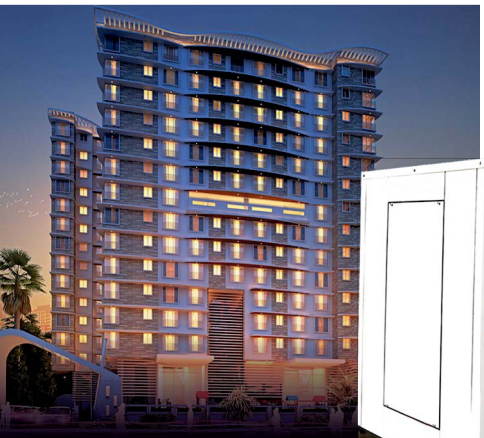

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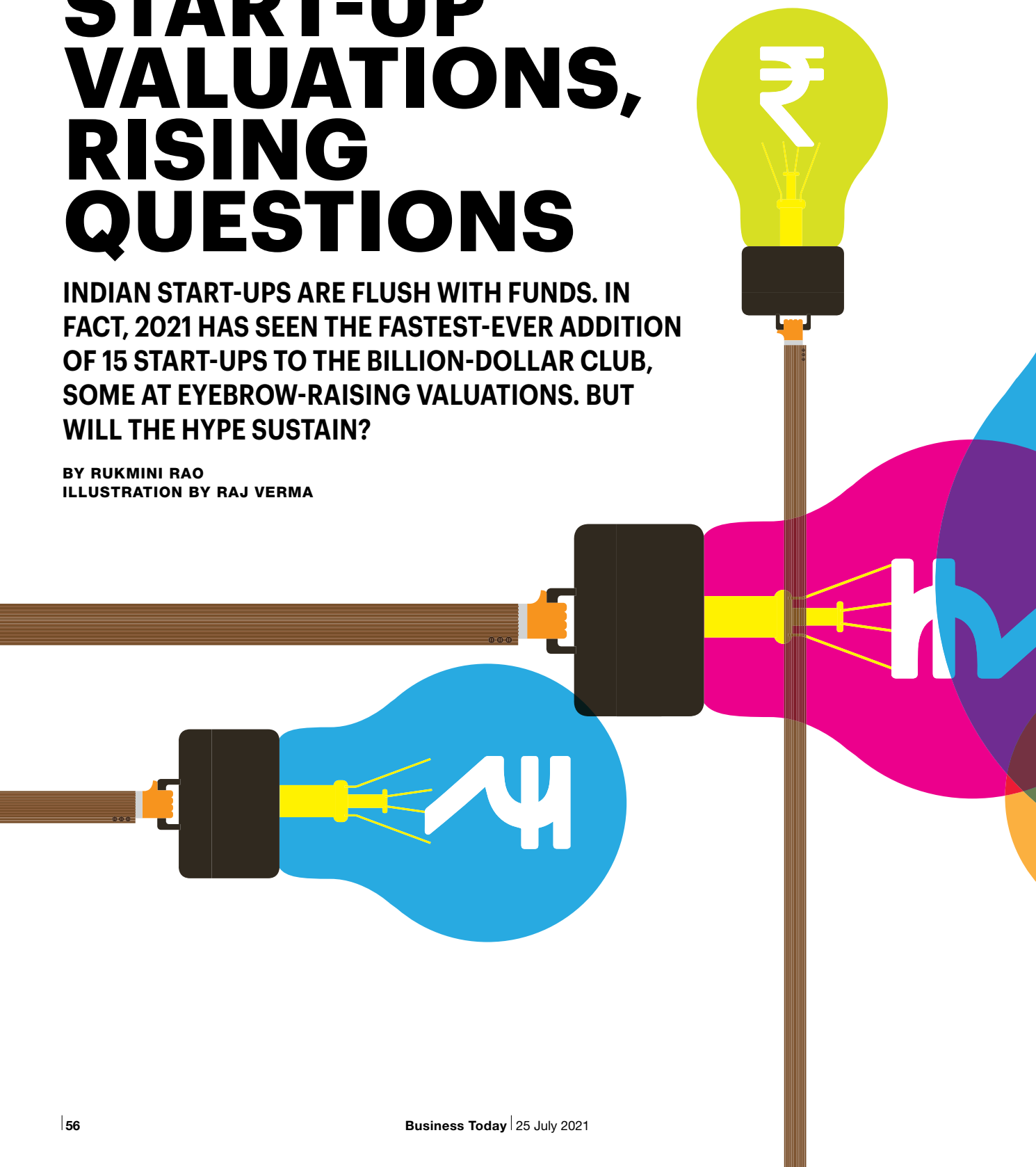
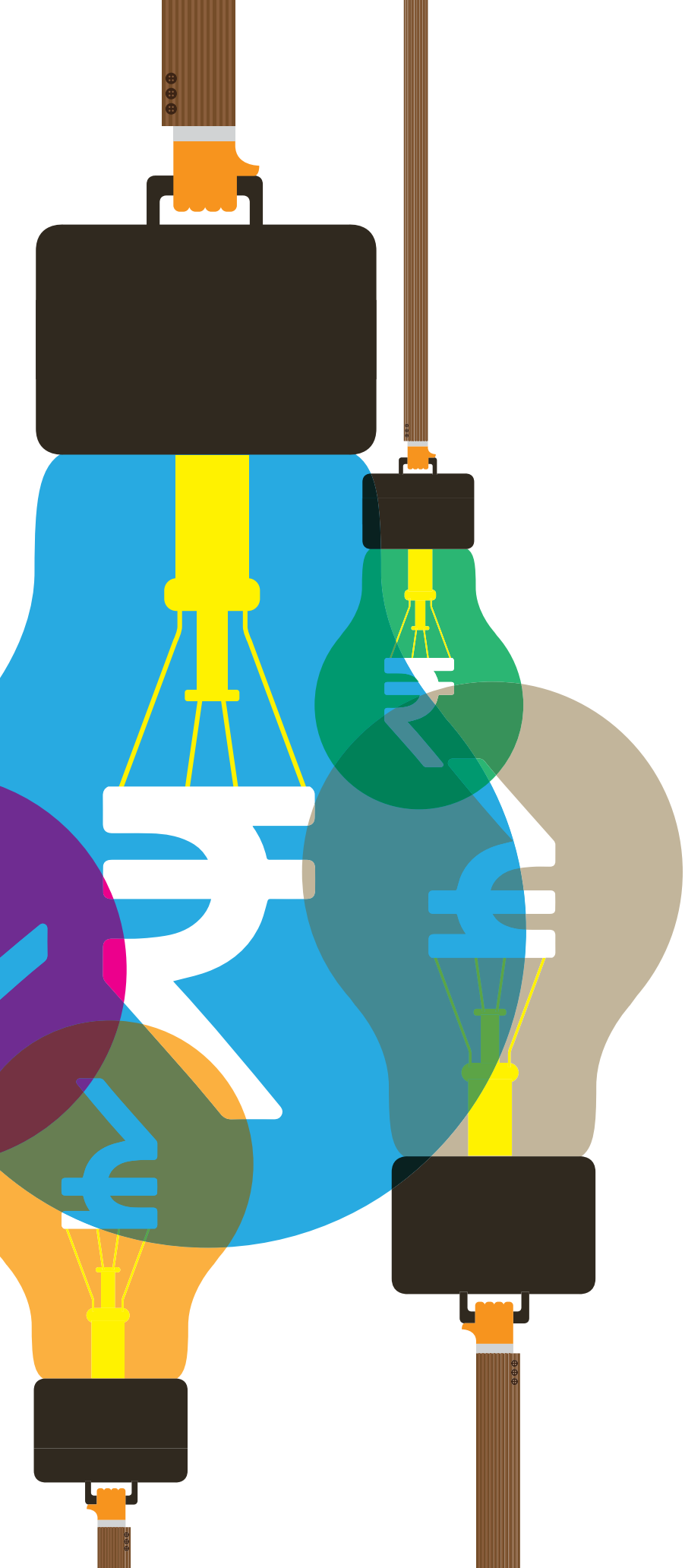
SOARING START-UP VALUATIONS, RISING QUESTIONS

INDIAN START-UPS ARE FLUSH WITH FUNDS. IN FACT, 2021 HAS SEEN THE FASTEST-EVER ADDITION OF 15 START-UPS TO THE BILLION-DOLLAR CLUB, SOME AT EYEBROW-RAISING VALUATIONS. BUT WILL THE HYPE SUSTAIN?

BY RUKMINI RAO
ILLUSTRATION BY RAJ VERMA





On

June 25, listed diagnostics chain Thyrocare announced the sale of 66.14 per cent stake to API Holdings, the parent company of online pharmacy PharmEasy, for ₹4,546 crore, in the first-ever acquisition of a publicly listed company by an Indian unicorn. PharmEasy is the first unicorn in the epharmacy space earlier this year. The deal also triggered an open offer for the purchase of an additional 26 per cent stake at ₹1,300 a piece, a discount of 10 per cent to Thyrocare's closing share price on the same day. The total deal value, including the open offer, is pegged at over a billion dollars. Thyrocare's shares, however, fell 10 per cent intra-day on June 28 due to the discounted open offer.

Market watchers say the deal is the beginning of hectic activities in the start-up world, with many more companies likely to announce IPOs later this year.

In fact, the déjà vu moment for Indian start-ups began a few months ago. In the second week of April, six companies, including PharmEasy, Meesho, CRED and ShareChat, announced new rounds of funding of over $1.5 billion, and turned unicorns, that too within a week. India has already seen 15 unicorns in the first six months of 2021 itself. With liquidity increasing, private equity funds raised $188 billion in Q1 2021 (January-March), against $163 billion in Q1 2020, according to a report by Prequin, which provides data on alternative assets.

Though some like Zomato, InMobi and Paytm have already announced their roadmaps for IPOs, the WeWork listing debacle in the US two years ago raises a red flag. Within one month of announcing its IPO in August 2019, the co-working company reduced its valuation from $47 billion to nearly $10 billion and deferred the listing indefinitely.

While one may argue that the eyebrow-raising valuations are valid given the future

potential that some of these start-ups hold, their profitability is another story. Still, a number of investors are looking to double down on investments that have already seen market validation, with Tiger Global leading the pack. The American hedge fund has invested in at least eight of the 15 companies that turned unicorns during January-June 2021. While industry experts say the funding party is likely to go on for a while, the real test will be when the money slows down or how the market laps up the IPOs.

Soaring Valuations

In its Q1 start-up pulse survey in May last year, Nasscom President Debjani Ghosh observed that 90 per cent of start-ups were seeing a decline in revenues, 30-40 per cent had temporarily halted operations or were in the process of closing down, and 70 per cent had a cash runway of less than three months. But by the end of 2020, 12 new unicorns were added to the list. The number has increased to 15 in just the last six months.

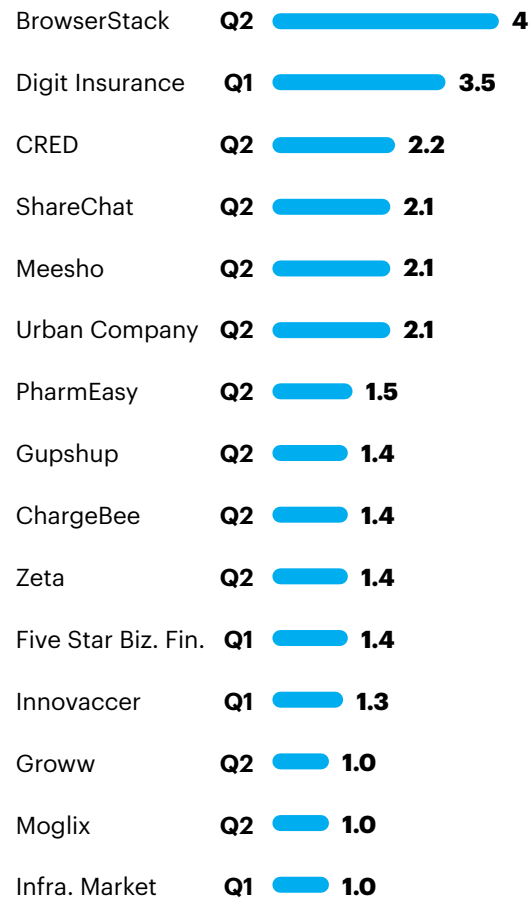
The first to enter the club in 2021 by doubling its valuation to $1.9 billion was Digit Insurance, a tech-based general insurer company. In January it raised $18 million from investors, including 91 Partners, Fairfax Financial Holdings, Faering Capital and TVS Capital Funds, to be valued at $1.9 billion, from its last funding valuation of over $800 million. In the first week of July, the company raised another $200 million from Faering along with Sequoia India capital and IILF Alternate Assest, at a current valuation of around $3.5 billion. In February, software-as-a-service (SaaS) healthcare company Innovaccer, backed by Tiger Global, raised over $100 million, sending its valuation up three times to $1.3 billion in less than a year from around $350 million in the last round. In April, Meesho, the social commerce platform, raised $300 million in a new funding round led by SoftBank at a valuation of $2.1 billion, a three-fold jump from its previous funding round of $125 million in 2019 when it was valued at $700 million.

In April only, homegrown social network ShareChat raised $502 million in a funding round led by Tiger Global, Snapchat parent Snap Inc and existing investors Twitter and Lightspeed Venture at a valuation of $2.1 billion, up from nearly $700 million last year. "Thinking, moving fast and feed ranking are our strengths," says CEO and Co-founder Ankush Sachdeva. Riding on the social media wave, ShareChat aims to acquire a billion users.

In the fintech space, payments company CRED saw its valuation zoom to $2.2 billion in April. It had raised $215 million in a series D funding round. The company was valued at around $800 million just three months ago. However, shortly after reaching the $1-billion tag, CEO Kunal Shah tweeted, "Unicorn tag, high valuation are all vanity metrics till the company delivers profits".

The second fintech firm to enter the unicorn club in April was five-year-old Groww with $83 million in fundraising led by Tiger Global.

THE UNICORNS OF 2021



Source: Zinnov Research, CB Insights, Venture Intelligence

The Real Picture

Some analysts think these companies don't really make money and question their true value as a company. However, there are others, who think some of these start-ups have achieved significant scale, and are showing sustainable revenue growth, besides building specific solutions for large enterprises and cutting down their losses. "In that sense, the valuations of these companies reflect their impact on large businesses. It also reflects on the strength of the tech talent available in India and the maturity we have reached in terms of building globally scalable product tech platforms" says Sajan Pillai, Managing Partner, Season Two Ventures, California.

"We knew that social media is a huge part of our lifestyle and Internet penetration will increase exponentially

in coming times, which will benefit ShareChat in unlocking huge valuation going forward" says Ashvin Chadha, Co-founder and Partner, Anicut Angel Fund, which has taken a bet on ShareChat.

Season Two Ventures' Pillai argues that what may seem trivial in terms of value today can accelerate in terms of both top line and bottom line tomorrow due to an intersection of multiple trends. "Some of these may be just trends today, but can become big business ideas in the future."

The ability to keep pace with changing times and use technology to provide users with better and innovative offerings are the primary criterion that funds look for while investing in a company, says Anicut Angel's Chadha.

Also, the global private equity market has seen a strong recovery this year, compared with 2020. According to Preqin, fund managers are sitting on a record $1.6 trillion, pressurising dealmakers to identify investment opportunities quickly as recovery picks up. After a comparatively slower 2020, fund-raising activity is back on track in Q1 of 2021. A total of $188 billion was raised by 452 funds during January-March, a 16 per cent and 5 per cent increase, respectively, against a year ago. Size wise, India is one the most promising markets after the US and China. Hedge funds, sovereign funds and even family offices are looking at avenues to deploy funds in the country. The volatile nature of the stock market also makes the private market a key area for deploying funds. The slowdown of last year had impacted funds' internal rate of return (IRR). "So, it becomes a very key criteria to figure out a way to deploy the money very quickly within the remaining time period" says Atit Danak, Principal and Head of CoNXT practice at Zinnov, a global management consultancy. Metrics such as IRR become important when they go for the next round of fund-raising.

But How Real Is It?

What has changed in the last couple of years is that Tier-1 venture capital firms are now entering funding rounds at an early stage by cutting smaller cheques. "While VCs are going earlier, there are also many micro VCs (with less than ₹100-crore AUM) coming into the market. There is also interest from HNIs," says Nimesh Kampani, President, LetsVenture Plus. The early-stage platform did 40 transactions during January-March 2021, against 105 in 2020.

So, though the funding frenzy is a bet on start-ups' expected growth in the coming years, profitability is not a milestone that India's 50 unicorns are likely to reach an time soon. For instance, according to reports, while Meesho's financials for FY20 show revenues growing nearly four times to over ₹300 crore, losses also increased over three times to nearly ₹315 crore. CRED, in FY20, posted a net loss of over ₹350 crore, while revenues were a tad over ₹52 lakh! Groww, which recently acquired Indiabulls' mutual finance business for ₹175 crore, posted a net loss of nearly ₹8 crore in FY20, against ₹23 lakh in FY19 due to increased expenses. Revenues stood at around ₹1 crore.

"Profit is not an important metric as long as companies are growing at a fast pace, although good investors are well aware of the unit economics," says Madhukar Sinha, Founding Partner, India Quotient, an investment firm.

But, in reality, investors will not pump in money endlessly, given that the ultimate objective of any company is to become profitable. So, while as many as 12 unicorns are expected to go for public issues, the true test will be how the market values them, and whether listings really help companies grow or only provide an exit to investors. BT

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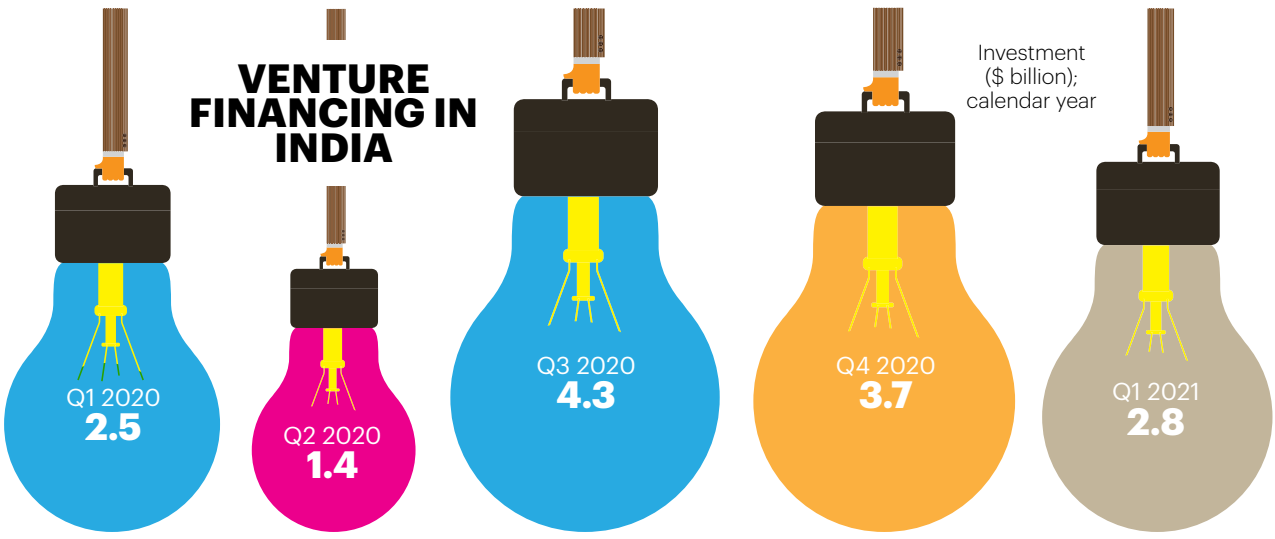


Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise

Hydrogen
FUELCELL

INDIA'S HYDROGEN DREAMS

Reliance Industries' big-bang entry into hydrogen is likely to accelerate development of the nascent industry, and play a critical role in India's fight against climate change

BY SUMANT BANERJI
ILLUSTRATION BY RAJ VERMA

INDIA'S LARGEST COMPANY, Reliance Industries Ltd (RIL), made a big splash last week when it announced plans to become a net-zero carbon company by 2035. The Mukesh Ambani-led company is investing ₹75,000 crore in clean energy projects. A part of it will be used to build an electrolyser and a fuel cell Giga factory, in a big boost to the country's nascent hydrogen economy. Hydrogen is considered the best way to decarbonise by many industries.

"Green hydrogen will be a unique energy vector that can enable deep decarbonisation of many sectors such as transportation, industry and power. One of the most common methods of generating green hydrogen is by electrolysis of pure water through electrolysers," Chairman and Managing

Director Mukesh Ambani said at RIL's annual general meeting on June 24. "This brings me to our third initiative — an Electrolyser Giga Factory to manufacture modular electrolysers of highest efficiency and lowest capital cost. These can be used for captive production of green hydrogen for domestic use as well as for global sale," he added.

It did not come out of nowhere. RIL has been quietly laying the ground for the hydrogen industry of the future. In April this year, the company joined hands with Chart Industries, a Nasdaq-listed global manufacturer of high-end engineering equipment, to form the India H2 Alliance (IH2A). The purpose of the alliance is to work with the government to draw up a blueprint for commercialising hydrogen technologies and systems to build net-zero carbon pathways in India. Since then, JSW Steel has also joined the alliance.

The government has also been keen on hydrogen. Addressing the virtual RE-INVEST summit in November last year, Prime Minister Narendra Modi announced that India would launch a National Hydrogen Energy Mission (NHEM). It found mention in this year's Union Budget in February when Finance Minister Nirmala Sitharaman set aside ₹800 crore for the same.

"India has tested the Hydrogen Vehicle. Now we've to make ourselves industry ready to utilise hydrogen as a fuel for transport," Modi said at a webinar after the Budget. "Future Fuel, Green Energy are very important... Hence, 'Hydrogen Mission' announced in the Budget is a huge resolution."

This wasn't the first time the government has talked about hydrogen. In fact, India had a head start when in 2006 the first Hydrogen and Fuel Cell roadmap was announced. But progress has been tardy since then even as others have marched ahead. Europe and the US have taken the lead in electrolysers and fuel cell electric vehicle (FCEV) technologies; Japan and Korea are investing heavily to become global champions of hydrogen usage, while Australia and Chile are building global green hydrogen production hubs.

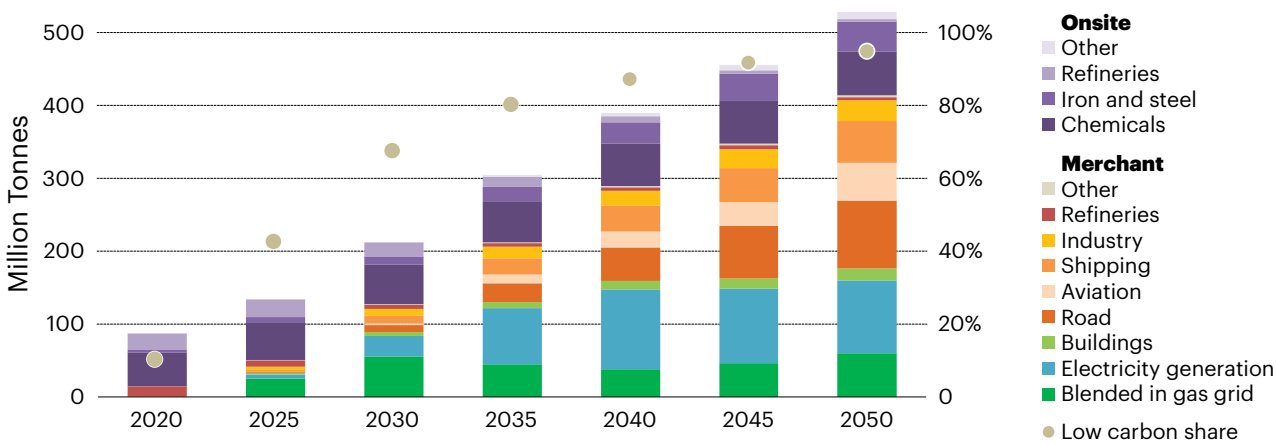
The potential for hydrogen to reduce carbon emissions in India is immense. The demand for hydrogen is around six million tonnes (MT) per annum, with most of the consumption coming from fertiliser plants and refineries, according to TERI. It needs to go up to 28 MT by 2050 and 40 MT by 2060 if the net-zero carbon target is to be achieved. The demand will be steeper if the deadline is shortened. Potentially, hydrogen can also save over $160 billion worth of imports for India — $112 billion on crude, $9.6 billion on natural gas/LNG, $23.6 billion on coal, $16.2 billion on petroleum products and $775 million on ammonia.

Decarbonising Industries

One of the biggest impacts of clean energy sourced from hydrogen will be on the industrial side where it can be used to decarbonise a host of sectors such as power, steel and oil refineries, cement factories, ports and logistics. Primary steel production needs chemical feedstocks like direct reduction of iron ore, which direct electrification does not provide.

"There have been multiple studies done globally as well as in India, on the potential of hydrogen to drive decarbonisation in sectors such as steel, chemicals, fertilisers and heavy duty transport/freight," says Jill Evanko, CEO and

Global hydrogen and hydrogen-based fuel use in NZE



NZE: Net-zero emissions by 2050 scenario; source: IEA

"India has tested the Hydrogen Vehicle. Now we've to make ourselves industry-ready to utilise hydrogen as a fuel for transport. Future Fuel, Green Energy are very important... Hence, 'Hydrogen Mission' announced in the Budget is a huge resolution"

Narendra Modi, Prime Minister

President, Chart Industries. "Steel and cement seem most attractive from a short-to-medium-term perspective followed by fertilisers and chemicals on the industrial use case side. In the long term, this could extend to mining," he adds.

Sajjan Jindal's JSW Group wants to be one of the early adopters and considers hydrogen to be at the centre of its plan to go carbon neutral in future. "There are a number of green steel initiatives currently underway but use of green hydrogen in the steel-making process is one that would make the most significant decarbonising impact going forward," says Prabodha Acharya, Chief Sustainability Officer at JSW Group. "We are uniquely placed to lead on the green hydrogen topic as we have a portfolio of businesses with significant interests in steel, cement and renewable energy. Working with a multi-sectoral approach and across the hydrogen value chain is the right way to build the hydrogen economy in India."

But there are challenges, the biggest of them being the cost factor. While hydrogen is one of the most abundant elements, it cannot be sourced as gas from the atmosphere since it is lighter than air. Instead, it has to be separated from other compounds like water.

Two of the most common ways to do that are steam forming and electrolysis or water splitting. While steam forming is less expensive, building plants for scale is still a costly proposition. Also, this process produces greenhouse gas emissions that defeat the main purpose of opting for hydrogen in the first place.

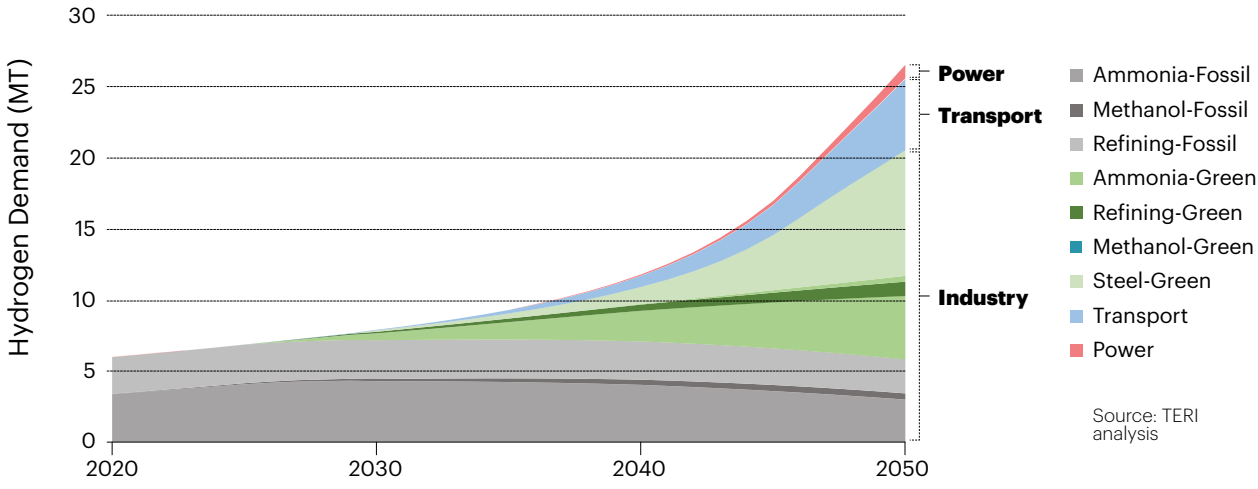
The other method of electrolysis involves passing electricity through water to separate it into basic elements, hydrogen and oxygen. It is a very expensive process, and the IH2A is looking to devise a strategy to make it economical.

The alliance has made a six-point submission to the government that talks about among other things, an aim to create a national electrolyser installed capacity of 15-20 gigawatt (GW) and a national hydrogen-themed energy transition fund with a target of raising $ 1 billion by 2030 for deployment of projects of a certain scale. It also calls for setting up a public-private task force, globally harmonised and interoperable hydrogen standards, pre-feasibility studies of at least 10 hydrogen hubs and an industrial group that can look into specifics of using hydrogen as a decarbonisation tool.

"As the global use for hydrogen develops, economies that develop local supply chains for hydrogen systems — whether for electrolysers, storage equipment or sub-stack systems for fuel cells — will be the ones to benefit from the economies of scale," says Evanko of Chart Industries. "The availability of public and private funding for hydrogen projects will be another key determinant of national success on hydrogen commercialisation."

Hydrogen can help India in geopolitics too. In electrification, India is behind the curve as far as securing key raw materials such as lithium and cobalt is concerned. China has

Hydrogen demand projection in India in the low-carbon scenario



Source: TERI analysis

a head start there and experts are worried India may end up being dependent on others for lithium in the same way it is for crude oil right now. In hydrogen, on the other hand, the industry is still nascent with no country having a definitive edge. It offers a much-better chance for India to nudge ahead. Ambani's big play aims to tap into this opportunity.

Green Transport

Another area where hydrogen can play a significant role is transport. India has embarked on an ambitious plan to electrify its two- and three-wheelers and passenger vehicle segments. Doing the same for long-haul freight trucks, however, poses a problem since lithium-ion batteries do not have the range for intercity trips. They also need longer time to charge, which could potentially keep the trucks off road.

Hydrogen can solve both the problems. In an FCEV, electricity needed to run the vehicle is produced in the fuel cell stack where hydrogen is fed through the tank. This can be refilled in a matter of 5-15 minutes, compared to recharging a battery EV truck that could take hours.

"We believe EVs and FCEVs will co-exist with EVs being preferred for short runs in cities, while FCEVs will be used for long-haul transportation," says Vikram Gulati, Country Head and Senior Vice president, Toyota Kirloskar Motor.

Like in the case of industrial use, cost is a hindrance here as well. Currently there are only three brands that offer hydrogen-powered fuel cell vehicles worldwide — Toyota Mirai, Honda Clarity and Hyundai Nexo. The Mirai is priced upwards of $50,000 or ₹37 lakh, which would make it out of reach for most Indians. This is also much more expensive than EV offerings such as the Hyundai Kona at ₹24 lakh or MG ZS EV at ₹21 lakh. If imported, the price of an FCEV would double, expanding the gap with a comparable EV or petrol/diesel product even more.

"Eventually, hydrogen is expected to play a major role in the global energy mix, but is still in its infancy and requires a lot of investment before it becomes commercially viable," say Amit Kapur, Joint Managing Partner and Akshat Jain, Partner, J. Sagar Associates.

No wonder then, carmakers are yet to warm up to the idea of fuel cell vehicles (FCVs) in India. It is a different story in commercial vehicles, where an FCEV has a significantly better chance of success, compared to a pure-play battery EV truck or bus. Commercial vehicle makers are already working on this. India's largest CV maker Tata Motors has showcased FCEV buses at different auto expos. Recently, it also won a tender for supply of 15 FCEV buses to Indian Oil Corp. To be used in Delhi/NCR, these buses are part of a first-of-its-kind joint project to take the hydrogen and fuel cell journey in India to the next level.

"Key benefits that hydrogen has over lithium-powered battery electric vehicles are — high-energy density, faster fueling time, long-range applications which become non-viable with BEV (battery electric vehicle) due to LI-Ion battery constraints (weight, size and cost for high capacity batteries)," says Rajendra Petkar, President and CTO, Tata Motors. "On a standalone basis, hydrogen fuel cells for EVs are more eco-friendly as they do not have emissions related to metal oxide processing and recycling. Lithium-ion batteries also have concerns about continued long-term supplies of rare earth materials and severe supply chain constraints. From an application standpoint, fuel cells make

sense for trucks and buses, and high-end SUVs."

Even in commercial vehicles right now, an FCEV costs significantly more than electric or diesel-powered trucks and buses. But the gap is expected to narrow in the next five years. India still does not have an FCEV truck or bus available in the market for a cost comparison, but in Europe, the total cost of ownership (TCO) of an electric truck is still lower by 20 per cent, compared to an FCEV truck. In case of a fossil fuel-powered vehicle, TCO is 35 per cent lower, compared to an FCEV. The biggest reason is the disparity in the purchase price of the vehicle. But FCEV costs are expected to fall, and together with policies that penalise fossil fuel vehicles, the TCO of an FCEV in countries, including the UK, Latvia, Estonia and the Netherlands, is expected to fall below fossil fuel vehicles by 2024. It is a trend likely to be replicated in India, too, albeit with a few years lag.

Hydrogen contains more energy — 130 megajoules per kg — compared to petrol or diesel (45-46 MJ per kg), which means it offers better range on a full tank. A car consumes 1 litre of hydrogen to cover around 28 kilometres, compared to around 18 kilometres for a litre of petrol. But, the current price of hydrogen in India is estimated at ₹880 per kg, which increases the fuel cost. Lack of hydrogen-dispensing stations is another roadblock.

"The future of FCEVs depends on its performance and cost-competitiveness. FCEVs have a higher TCO mainly due to the initial acquisition cost, driven by input prices of fuel cell stack, balance of power plant parts, hydrogen storage and EV propulsion system-related parts," says Tata Motors' Petkar. "As these cost go down, with government incentives and localisation of parts, the overall economics of FCEVs is likely to improve. Market demand and increased volumes are expected to occur during the second half of the current decade."

According to Niti Aayog, low cost of renewables that powers the grid together with economies of scale in future can lower the cost of hydrogen fuel to $4 per kg. At that level, an FCEV truck will become competitive with its diesel counterpart.

"The price of delivered power is the biggest driver of cost for green hydrogen. The recent bids of around ₹2 per unit for solar power in India are among the lowest in the world. We also have competitive wind tariff, which gives us the advantage to disrupt the hydrogen industry," says Amitabh Kant, CEO, Niti Aayog. "If we make the right policy decisions, we can be a net exporter of hydrogen by 2030 with a cost of just $1.5 per kg. Manufacturing electrolysers is a huge $20-billion opportunity."

The higher energy content of hydrogen poses risks as well. Automotive fuels are highly inflammable, but a vehicle laden with hydrogen is likely to be more vulnerable in case of a major accident. Hydrogen-dispensing stations would need to adopt to more stringent safety measures.

Having missed out on many technology-led innovations in the past, hydrogen presents India with the opportunity to lead the change. The parts of the puzzle just need to be put together. BT

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"Green hydrogen will be a unique energy vector that can enable deep decarbonisation of many sectors such as transportation, industry and power. One of the most common methods of generating green hydrogen is by electrolysis of pure water through electrolysers"

Mukesh Ambani, CMD, RIL

PHOTOGRAPH BY BANDEEP SINGH

Management

RETURN TO OFFICE? NO, THANKS!

Many white-collar workers are ready to spruce up resumes and look for a job change if asked to return to office

BY VIDYA S.
ILLUSTRATION BY RAJ VERMA

Gurgaon-based Harjas Sethi became an online sensation in February when she posted a video on her Instagram account about how her "*rooh kaanp gayi*" (soul was shaken to the core) when her employer sent out a survey to check what employees felt about returning to office. The video ends with Sethi clarifying it was for "entertainment purposes only." She even addresses her boss, Zoya, saying she was ready to work anywhere given how bad the job market is.

The video, retweeted by RPG Group Chairman Harsh Goenka and Paytm Founder Vijay Shekhar Sharma, blew up on the internet. Its popularity echoes the pulse of a large section of India's white-collar workforce which is no mood to return

to office just yet. If pressed, many are prepared to resign after finding another job with a fully remote working option. "I will definitely leave if they force me to return. I'm looking for options anyways," says a New Delhi-based user experience (UX) designer at a leading e-commerce app.

A recent Microsoft Work Trend Index survey found that 74 per cent of Indian employees want more flexible work options. The survey was based on responses from 30,000 people in 31 countries. It does not specify how many prefer fully remote work, but is clear that almost 62 per cent of India's workforce, including 51 per cent Gen Z employees, want to switch jobs this year. The UX designer counts herself in this category. "I'm sure some company will be willing to offer me remote working option."

Commute, The Bad Guy

After 16 months of working from home, many have become used to the conveniences it offers. The absence of travelling to office in rush hour traffic ranks high up on the list. "I don't have to set aside time to get ready, book a cab and travel to work. I save around three hours, which is huge in a nine-to-five working day," says the UX designer.

Office commute platform MoveInSync Technology Solutions found in August 2019 that Indians spend more than two hours on the road every day. This is longer than in most countries.

For sure, there are several employees who prefer returning to office once the pandemic wanes rather than suffer the digital exhaustion of work from home (WFH), compounded by minimal social interaction. Yet, what is the point of wasting two-four hours travelling every day when the job can be done from home much more productively, several employees ask? "It's not as if the moment the clock strikes five, I have to close my work and run to catch the bus or train to go home. I reduce the time spent on travel and other distractions and instead focus on my work and deliver the results more productively," says a 33-year-old pre-sales and proposals specialist at an IT firm in Hyderabad. He says he can catch up with friends on weekends to beat the monotony and isolation of WFH.

Family First

With domestic helps difficult to find, children learning at home and senior citizens to care for, the pandemic has been much harder on working women than men. They find WFH more suitable to juggle their career and life.

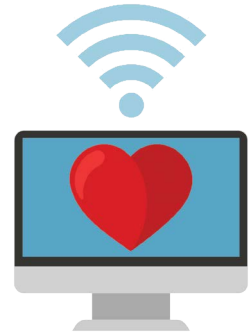
A 39-year-old marketing consultant in Bengaluru doesn't see herself returning to office for the

JOB HUNT ON MIND

Almost 62% of India's workforce, including 51% Gen Z employees, want to switch jobs this year

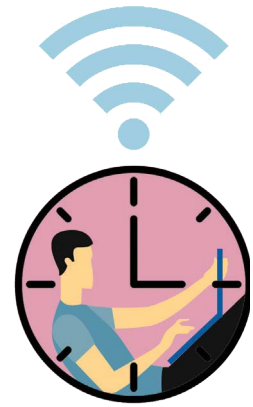
Those open to switching jobs are in IT and fields with high digital quotient; makes them suitable for remote working

Meanwhile, job market is uncertain. CMIE says 15 million jobs lost in May 2021 alone.



HOME IS WHERE THE HEART IS

Remote job postings on LinkedIn increased more than five times in the last one year. Being able to work remotely now, nearly 68 per cent of Indian workers are likely to move to a new location, a Microsoft survey has found



MANAGING TIME

Many employees prefer full-time remote work even after the pandemic ends, primarily to avoid commuting

Indians spend over two hours on the road every day, says a report by office commute platform MoveInSync

A LinkedIn Workplace Confidence Survey of 1,891 professionals found India's working women twice more likely to be worried about availability of jobs, professional network, and time devoted to job seeking

next two years. "With a child and senior citizens at home, there is no point in travelling so much. Yes, you get to meet people, but it's not that you would like to go and sit in an office every day for that." She says the WFH aspect of a job has taken precedence for her over many things now. "I see remote working opening up more opportunities. We've seen enough in the last year-and-a-half to face any challenge and move on to figure out something else."

A LinkedIn Workplace Confidence Survey noted a 'shecession' in India. The survey of 1,891 professionals from May 8 to June 4 found India's working women are twice more likely to be worried about availability of jobs, professional network and time devoted to job seeking than men. "Remote jobs can provide them the much-needed flexibility and growth opportunities," LinkedIn's India Country Manager, Ashutosh Gupta, says in a press note.

Here, too, there are challenges such as drawing boundaries at home while working. The flexibility WFH has afforded them trumps the many disadvantages it may have introduced, other working mothers say.

"An organisation's approach to hybrid work will ultimately impact who stays, who goes, and who seeks to join the company"

RAJIV SODHI, COO, MICROSOFT INDIA

74%

of Indian employees want more flexible work options, according to Microsoft Work Trend Index India Findings of over 30,000 people in 31 countries.

"I had to communicate to my family about my work time being sacrosanct," says a 35-year-old data scientist with a leading oil and gas company. Between having to relocate often because of her husband's transferable job and caring for her five-year-old, she had to take a few career breaks. After experimenting with different arrangements, she decided to shift to Mumbai during the pandemic because of WFH. Now, the family is able to live together, even though her office is in Chennai. "It will be difficult if they ask me to return to office," she says.

Rush For Remote Work

Shiv Agrawal, Managing Director, ABC Consultants, has been seeing many requests on professional networking site LinkedIn for fully remote roles. Remote job postings on LinkedIn have increased more than five times in the past one year. If allowed to work remotely, nearly 68 per cent Indian workers are likely to move to a new location, the Microsoft survey found.

Meanwhile, recruiting firm Randstad India has seen a trend of people looking for borderless employment opportunities. "These are for mid- and senior-level roles in Europe, North America, Singapore and Hong Kong across tech roles like AI, app development, machine learning, creative roles like web designing, consulting, and functional roles like HR, marketing and communications," said Sanjay Shetty, Head of Strategic Account Management at Randstand. He estimates that around 35 per cent of India's white-collar workforce may be fully remote even after the pandemic.

Job Hunt On The Anvil

Of course, not everybody may quit their job if pushed to return to office, certainly not in the current job market. The Centre for Monitoring Indian Economy says 15 million jobs (white-collar, blue-collar and daily wage) were lost in May 2021 alone. This is second only to April 2020 when 114 million jobs were lost due to complete nationwide lockdown. And hiring has not picked up uniformly across sectors, say recruiters.

Nevertheless, several employees *BT* spoke to said they would at least discuss flexible options with their HR managers. If everything else fails, a job hunt is inevitable, they say. "If asked to come back, I have to go back. The next job I look for

> **"We will move back to hybrid work model as well as work from office model in the coming months"**
>
> **Amit Prakash,** CHRO, Marico

will definitely have a remote working option so that I can give more time to family and personal needs," says a 26-year-old investment manager who has moved to Mandya, a small town 120 kilometres from Bengaluru, to be with his family.

Those open to job change mostly belong to IT, e-commerce, marketing, investment management, UX design, data sciences, etc, whose digital quotient makes them suitable for remote working. These also have more job opportunities, despite the pandemic, compared to travel, tourism and construction, which have been hit hard, according to the Monster Employment Index May 2021.

But with a churn in the job market likely this year, Microsoft India COO Rajiv Sodhi pointed out in his note accompanying the study that "an organisation's approach to hybrid work will ultimately impact who stays, who goes, and who seeks to join the company."

'Up To The Employees'

Several firms have been saying the future of work is hybrid. But there is little consensus on what constitutes a hybrid work model. Just before the second wave of the pandemic took over the country in April, major companies had begun chalking up plans to call employees to office. This time, most companies across sectors *BT* spoke to have not reopened offices yet. Many intend to continue WFH for the time being in roles where it's possible to give employees flexibility.

Panasonic India, which resumed working with 20 per cent capacity in the office, says only vaccinated employees are allowed on the premises based on a weekly roster. "We have given employees complete flexibility and freedom for resuming work from office depending on their emotional and physical well-being," says CHRO Adarsh Mishra. Before the second wave hit, the consumer goods manufacturer was working at 80 per cent capacity.

Marico, too, returned to WFH after calling employees to office earlier this year. CHRO Amit Prakash says they "will move back to hybrid work model as well as work from office model in the coming months". But he did not say how the company will tackle the possible challenge of people resigning when asked to return to office.

Online furniture retailer Pepperfry, which reopened office in June 2020 with 75 per cent workforce coming in two days a week, says they did not face any major resistance from employees. "There were a few genuine instances where people with old parents/young kids/comorbidity requested to continue working from home. However, a unique challenge we faced was employees requesting for office work for more than two days a week," says HR Head Aditi Pareek. The company has announced WFH for all applicable employees till end-December 2021.

Agrawal of ABC Consultants says in India, manufacturing firms will lead the pack in calling employees to office even in non-factory roles. "But mostly, it will depend on how leaders of the organisation think."

Meanwhile, the data scientist who shifted to Mumbai says she is keen to progressing in her career now, come what may. "So, I'll forfeit 5-10 per cent of my pay to continue WFH until I find another job that permits remote working for a long time, if it comes to that. Besides, data science is a thriving field. I'll find another job soon if I have to."

WFH is set to be the default option for many employees, it seems. **BT**

@SaysVidya

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MAKING THE MOST OF THE CLOUD

The hybrid cloud model provides security, greater flexibility and optimises costs for organisations

BY NIDHI SINGAL
ILLUSTRATIONS BY RAJ VERMA

India On The Cloud

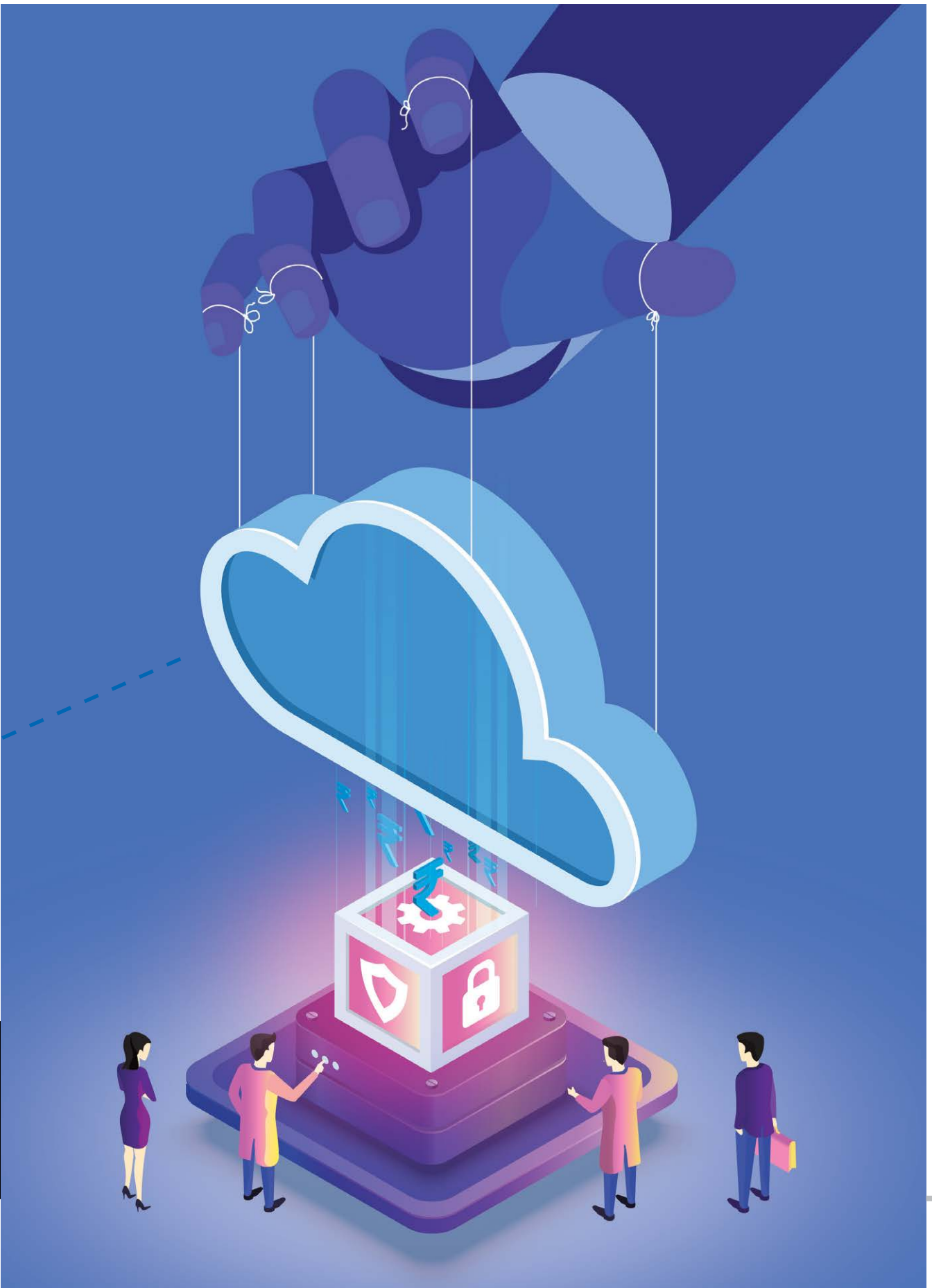
Source: Research and Markets report

23.61 PER CENT

India cloud infrastructure market CAGR from 2019-2024

₹19,640 CRORE

Expected size of the Indian cloud infrastructure market by 2024



The Thiruvananthapuram-based Muthoot Pappachan Group, which has operations spanning financial services, alternative energy, IT services and precious metals, was looking to digitise its offerings by connecting its corporate offices and 4,700 branches. While it was fine with a third party managing the IT infrastructure, it wanted to keep some key functions in-house. It opted for a hybrid cloud — a solution that combines a private cloud with one or more public cloud services, with proprietary software enabling communication between each service, giving businesses greater control over data. "The cloud-based virtual desktop interface will be deployed for 26,000 employees across branches, resulting in net savings of ₹25 crore and over 30 per cent reduction in time to market new digital capabilities," says Eugene Koshy, Chief Purpose Officer, Muthoot Pappachan Group. The project was carried out by UST Global, a US-based technology company.

Muthoot is among hundreds of businesses that are rushing to adopt hybrid cloud solutions for transforming their IT infrastructure. The reasons are simple. Hybrid cloud offers elasticity, nimbleness and cost optimisation. For instance, Panasonic India, the home appliances and consumer electronics major, has adopted a hybrid cloud model under which sensitive client data and information is stored on private cloud whereas applications are on public cloud. It is using services of Amazon Web Services, Microsoft Azure and CtrlS, among others. "Public cloud is cloud computing delivered via Internet and shared across organisations whereas private cloud is dedicated to one organisation," says Trideeb Roy, Director, Sales, Data Center, Cisco India & SAARC. This dual cloud strategy is helping enterprises scale up while optimising costs, which is why it is a natural progression for most businesses, say experts. According to a Research and Markets report, India's cloud infrastructure market is estimated to expand at a compounded annual growth rate (CAGR) of 23.61 per cent between 2019 and 2024 to ₹19,646 crore. The global hybrid cloud market is growing at a CAGR of 21 per cent and is expected to reach $170 billion in five years. India is expected to account for 10–15 per cent global hybrid cloud spend as operational flexibility and data deployment options that it offers make it a compelling proposition. "One of the primary benefits of a hybrid cloud is agility that allows effective operation of systems at organisations of all sizes. Hybrid cloud infrastructure can future-proof a data centre, keep up with the pace of software and service innovation and push the business forward. It also provides better security, compliance and risk mitigation from the core to the edge to the cloud," says Roy of Cisco.

Industry Adoption

Since hybrid cloud offers scalability, security, compliances and access to next-generation technology and software, it has become the most preferred solution for enterprises not born on the web such as financial services players, governments, telecom service providers and automotive companies. For example, leading telecom

WHEN WE CLAIM THAT A HYBRID CLOUD PLATFORM OFFERS 2.5X MORE VALUE THAN A TRADITIONAL CLOUD ENVIRONMENT, THE BENEFITS ARE SPREAD ACROS COST EFFICIENCIES, FASTER TIME TO MARKET AND INNOVATION CAPABILITIES"

Sandip Patel,
MD, IBM India/South Asia

USERS' CLUB

PANASONIC INDIA, the home appliances and consumer electronics major, has been using cloud-based services for over a decade; has deployed Amazon Web Services, Microsoft Azure and CtrlS, among others

BHARTI AIRTEL has completed first phase of its open hybrid cloud network, which will give customers and ecosystem partners a flexible foundation to build and deploy applications on the cloud; partnered with Redhat/IBM, Nokia

GODREJ GROUP has leveraged hybrid multi-cloud model to build IT infrastructure that is future-ready, keeps pace with changing business needs and supports future business requirements; it has used IBM's services

MUTHOOT PAPPACHAN Group migrated to hybrid cloud model. Its digital transformation helped it consolidate data centres and connect its corporate offices and 4,700 branches with the help of UST Global

service provider Bharti Airtel has completed the first phase of its open hybrid cloud network, which will give its customers and ecosystem partners a flexible foundation to build and deploy innovative applications on the cloud. Airtel has partnered with Redhat/IBM and Nokia for this initiative. "The horizontal cloud with open architecture is the key element for making our network future-ready. It allows us to deploy end-to-end automation across network operations and be ready for any emerging technology or application," says Randeep Sekhon, CTO, Bharti Airtel.

The traditional hybrid clouds were built around IaaS (infrastructure as a service) and focused on providing computing, storage and network services along with security controls. "This has changed as almost all private and public cloud providers have introduced new services for building cloud native architectures," says Muraleekrishnan Nair, Global Head, Cloud Infrastructure Services, UST Global. These services offer more agility for business transformation and allow an enterprise to rapidly change direction or develop new digital offerings. This came in handy during the Covid-19 outbreak when businesses were forced to adopt remote working models almost overnight. As companies realised the need to ensure that their IT infrastructure keeps running across clouds, they

quickly found that adopting hybrid cloud models is the right strategy from the view of long-term costs, scalability and security. "Earlier users ran their programmes and applications from a server or a physical computer. However, the same is now being done through cloud-computing services. This shows how cloud computing technology has the power to become a backdoor for all future disasters as well," says Binu Chacko, Partner, Cloud Transformation, EY India.

According to a recent Enterprise Cloud Index Research by Nutanix, a US-based cloud company, hybrid cloud has been voted as the ideal IT operating model by a vast majority of respondents in India. Around 97 per cent Indian IT professionals agreed in the survey that a mix of public and private clouds is ideal for their organisations compared to 87 per cent globally. India's enterprises are moving to hybrid to gain better control over IT resource usage (79 per cent), increase speed to fulfil business needs (69 per cent) and support customers better (60 per cent). Additionally, 63 per cent Indian respondents said they have increased investments in hybrid cloud as a direct result of the pandemic. Indian IT teams are planning for a 56 per cent increase in hybrid cloud adoption within five years, according to the survey.

The pandemic has also brought risk, governance, security and spending concerns to the fore. "Legacy applications will give way to cloud native applications, legacy databases will give way to open source, purpose-built databases and automation will become a necessity as underlying infrastructure becomes a commodity. Security responses will be real-time to keep up with the ever-evolving threat landscape. We will witness more reliance on software, cloud and automation to deliver more with less," says Balakrishnan Anantharaman, Vice President and MD, Sales, India and SAARC, Nutanix. For instance, RBL Bank leveraged the Nutanix Era Platform for Databases to cut provisioning time by 90 per cent and reduce the time taken for cloning of databases of key customers to four hours instead of one-two days, while saving 90Tb of storage.

LEGACY APPLICATIONS WILL GIVE WAY TO CLOUD NATIVE APPLICATIONS, LEGACY DATABASES WILL GIVE WAY TO OPEN SOURCE PURPOSE-BUILT DATABASES, AND AUTOMATION WILL BECOME A NECESSITY AS IT INFRASTRUCTURE BECOMES A COMMODITY"

Balakrishnan Anantharaman,
VP & MD, Sales, India & SAARC, Nutanix

The Cost Factor

When customers are trying to keep IT costs down, a well-designed hybrid model can help teams manage multiple cloud environments at a low cost. The largest cloud-delivery model of all — the public cloud — requires low-to-zero investment in buying, setting up and maintaining infrastructure. However, costs add up quickly as usage expands. Private cloud, on the other hand, involves high upfront capital expenses and a steep learning curve for internal teams. In hybrid cloud, both direct cost and speed of backups and recovery are made simpler with tiered storage (an architecture places data in a hierarchy according to its business value), offering companies opportunities to save on hardware costs.

Mumbai-based Godrej Group has leveraged hybrid multi-cloud model to build an IT infrastructure that is future-ready, keeps pace with changing business needs and supports future business requirements. IBM's technology helped the group shift all mission-critical applications to a hybrid multi-cloud environment and orchestrate workloads among multiple clouds. This has resulted in 10 per cent reduction in cost of ownership over five years, 100 per cent increase in disaster recovery coverage and zero security incidents. "The return on investment needs to be viewed from multiple dimensions. When we claim that a hybrid cloud platform offers 2.5x more value than a traditional cloud environment, the bene-

$170
BILLION
Estimated global hybrid cloud market in 2026

21
PER CENT
CAGR growth of global cloud market

10-15
PER CENT
India share of global hybrid cloud spend

THE HORIZONTAL CLOUD WITH OPEN ARCHITECTURE IS THE KEY ELEMENT FOR MAKING OUR NETWORK FUTURE-READY. IT ALLOWS US TO DEPLOY END-TO-END AUTOMATION ACROSS NETWORK OPERATIONS AND BE READY FOR ANY EMERGING TECHNOLOGY OR APPLICATION"

Randeep Sekhon,
CTO, Bharti Airtel

fits are spread across cost efficiencies, faster time to market and innovation capabilities. A significant portion of that value reaches beyond infrastructure cost efficiencies: there are quantifiable benefits from business acceleration, application development and regulatory, compliance and security," says Sandip Patel, MD, IBM India/South Asia.

Other benefits of hybrid cloud include better business continuity and management of short- and long-term capacity. "From a CIO's perspective, it amplifies innovation for building new business solutions and enhancing existing solutions," says Narsimha Rao Mannepalli (Narry), Executive Vice President, Head of Cloud & Infrastructure Solutions, Infosys Validation Solutions.

Hybrid cloud also offers better security, compliance and risk mitigation and allows enterprises to choose where to place workloads and data based on compliance, audit, policy and security requirements. While various environments of hybrid cloud remain separate, migration between them is facilitated by containers or encrypted application programming interfaces that allow administrators to integrate applications and other workloads. "This separate, yet connected, architecture is what allows enterprises to run critical workloads in private cloud and less sensitive workloads in public cloud. This minimises data exposure and allows enterprises to customise a flexible IT portfolio," says Patel of IBM India/South Asia. Besides, organisations can store all kinds of sensitive data with utmost security, thanks to features like Keep Your Own Key or KYOK (which allows customers to have exclusive control over encryption keys) and Quantum Safe Crytography Support (algorithms that are resilient to quantum computer-enabled attacks).

The gains from hyrbid cloud seem too big to be ignored. BT

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Network

The People's Person

Tapan Singhel, CEO and Managing Director, Bajaj Allianz General Insurance, is a people's person. He loves to strike conversations with those around him, learn from them and document his experiences, ultimately to share them with people. "I love to learn from every individual. When I learn something fascinating, I jot it down and put it on LinkedIn as a blog," says Singhel.

He gives the example of kids playing. "Kids look abundantly happy. You find genuine happiness in their eyes. Compare your childhood picture with the current one, you'd notice you have lost innocence in your eyes. We all are searching for happiness. Ironically we were born in abundance with it, but we systemically destroyed it. I wrote about preserving genuine happiness."

In another blog, Singhel talks about how people don't live their age. "If you are young, you want to get old. If you are old, you want to get young. This drew me to talk to people who live their age. I realised they enjoy every bit of their life. Why chase the age we are not? Relish your age," he says.

He also did a series of interviews with street vendors that led to the publication of 'lessons in management from street vendors' in the *Harvard Business Review*. He also hosts the 'Tea and Tales' series, inviting guests to share their life experiences.

– APRAJITA SHARMA

PHOTOGRAPH BY RACHIT GOSWAMI

Bawa, The Travel Buff

Heading a big tech giant is no easy task and for **Kulmeet Bawa,** President and MD, SAP, Indian Subcontinent, hiking is what helps him keep the balance. Ex-Army officer Bawa is no stranger to outdoor life, after having served in picturesque Jammu and Kashmir for nearly six years. Hiking for a good view is something that motivates him to a great extent. He has hiked in some of the most breathtaking trails at the Canada Whistler (one of the largest ski resorts in North America). Bawa also likes to travel within the country, especially on short breaks. Travel, he says, helps him unwind and recharge his batteries

–RUKMINI RAO

Empowering Women Biz Leaders

Ameera Shah, Promoter and Managing Director of pathology and diagnostics services chain Metropolis Healthcare, is also a financial investor and a business mentor. Passionate about women leadership and empowerment, she supports budding women entrepreneurs through 'Empoweress'. It is a not-for-profit platform for women-led businesses to find advice, mentorship and micro-funding. Launched in 2017, the platform has incubated more than 50 women-led businesses already.

The term empoweress is a mix of the words empower and empress that signifies women of worth, power and status, says Shah. Empoweress has a panel of experts who mentor selected women entrepreneurs through peer-to-peer network, executive coaching, leadership communication, goal setting and different ways to achieve the desired results. They also guide women entrepreneurs through their experiences and direct them to the right resources to help them take their most critical decisions. Aspiring candidates have to send an online presentation with details, including business ideas, market insights, competitor analysis, sales and marketing execution plans, five-year projections and revenue models. An expert panel selects eligible projects for a year-long mentorship programme with one-on-one sessions and help for firming up funds to run businesses.

– P.B. JAYAKUMAR

PHOTOGRAPH BY RACHIT GOSWAMI

GOING GREEN

Reducing the carbon footprint is key to meeting sustainable development goals

BY TEAM BT

SURESHKUMAR RATHOD, President, Colocation Business, CtrlS Datacenters

RAVICHANDRAN PURUSHOTHAMAN, President, Danfoss Industries

MANISH SHARMA, President and CEO, Panasonic India & South Asia

Across the world, countries are working towards moving to a net-zero emission of greenhouse gases over the next 30 years. With China, the world's-largest carbon-emitter announcing that it will work to offset emissions by 2060, the focus has shifted to India, the third-largest emitter. The goals set out by India in the Paris Agreement are just one small step for the environment. Experts from across industries participated in a *Business Today* webinar on 'Carbon Costs vs Longer Term Gains' to highlight the challenges today, as well as the way forward.

Ravichandran Purushothaman, President, Danfoss Industries, set the discussion rolling by stating that India does not yet have a roadmap for carbon neutrality. Purushothaman suggested a carbon tax for companies. "The carbon tax will be a vehicle to motivate consumers, producers and the ecosystem. Basically every produce needs to be linked with the amount of carbon generated." Canada and Sweden have already imposed a carbon tax on the use

of fossil fuels such as coal.

Taking the discussion forward, Manish Sharma, President and CEO, Panasonic India & South Asia, pointed out that moving towards a zero-carbon world should be looked at as an investment that adds value to the economy and businesses. It is important for all stakeholders to come together to tackle the larger challenge. Over the past 18 months as the world was ravaged by the pandemic, the usage of Cloud services has made a huge difference. The use of Cloud services is only going to increase.

KETAN PATEL,
Managing Director, HP

Ketan Patel, Managing Director, HP, pointed out that it has to be collective effort and not just policy intervention by the government. In India policy could be a complex matter. The other advantage in India is that millennials are greatly sensitive to carbon neutrality, which is very promising. SureshKumar Rathod, President, Colocation Business, CtrlS Datacenters, pointed out the need for uniformity in every aspect of policy implementation to remove ambiguity from the minds of consumers and the industry. Rathod went on to elaborate how high power consumption is the biggest issue for data centers. "If it is sustainable, half the battle is won and the carbon footprint will fall." CtrlS has been awarded the CII award on efficient usage of energy in nine out of the 11 years since 2008.

Have we done enough on sustainable development? Economic prosperity and sustainable development are two sides of the same coin, says Ketan Patel. Today, responsible organisations are adopting green-supply chains.

While everyone talks about reducing carbon footprint, what have company boards done to move forward? One of the biggest threats to the environment comes from rising e-waste. There is a huge opportunity in digital decarbonisation. Ketan Patel pointed out how sustainable development is a long-term gain. HP is using recycled plastic parts in its laptops now.

> One of the biggest threats to the environment comes from rising e-waste

Manish Sharma pointed out that Yuki Kusumi, the newly appointed global CEO of Panasonic, has advanced the date for the company to be carbon neutral from 2050 to 2030.

While reducing the carbon footprint does make sense, what are the options to move away from fossil fuels such as coal for a developing economy like India? In a fast-growing economy, the need for fuels, including coal, is immense. What many people do not realise is that food cultivation is a big carbon emitter since it involves usage of water, fertiliser and land. India needs to have a different path for meeting sustainable development goals.

However, companies such as Danfoss have emerged as water positive.

But, energy efficiency is a great job creator at a time when creating jobs has been a challenge for the country. India with a strong base in technology could create opportunities in digital decarbonisation in the next 20-30 years.

Business Today Editor Rajeev Dubey moderated the webinar.

Best Advice I Ever Got

"CANNOT BE DRIVEN BY RANKS OR HIERARCHY IN CRISIS"

ANSHUMAN MAGAZINE, Chairman & CEO, India, South-East Asia, Middle East & Africa, CBRE

What was the problem you were grappling with?

A deluge called Covid-19 — the "problem" that brought the whole world down to its knees.

Who did you approach and why?

Unfortunately, there was no time for seeking advice from anyone. What helped me was the experience that comes with having worked in the services industry for close to 30 years. While our focus on 'client centricity' taught me the value of having a 'focused' approach, 'firefighting' during volatile situations taught me the value of always being 'ready'. Most importantly, tough situations taught me the value of 'empathy' — which was the need of the hour.

What was the best advice you ever received?

In a crisis, 'action' is more important than strategy. We prioritised helping our employees first, while the strategy was streamlined in due time. Also, one cannot be driven by ranks or hierarchy in such situations — what is required is 'taking charge' and 'acting swiftly'. And in all of these, communication remains key.

How effective was it in resolving the problem?

We have already started seeing visible results on ground. We are handing (and resolving) hundreds of requests from over nine centres. We are also constantly improving our efforts, based on feedback — something that continues to evolve as we move forward. BT

– SUMANT BANERJI

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